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Nation's Business®

Published by U.S. Chamber of Commerce

New Ideas In 1992 Trucks

No Letup In Soaring Workers' Comp Costs

Child-Support Rules Target Employers

Schools That Work

Reforms pioneered by business are already producing results in school systems throughout the country.

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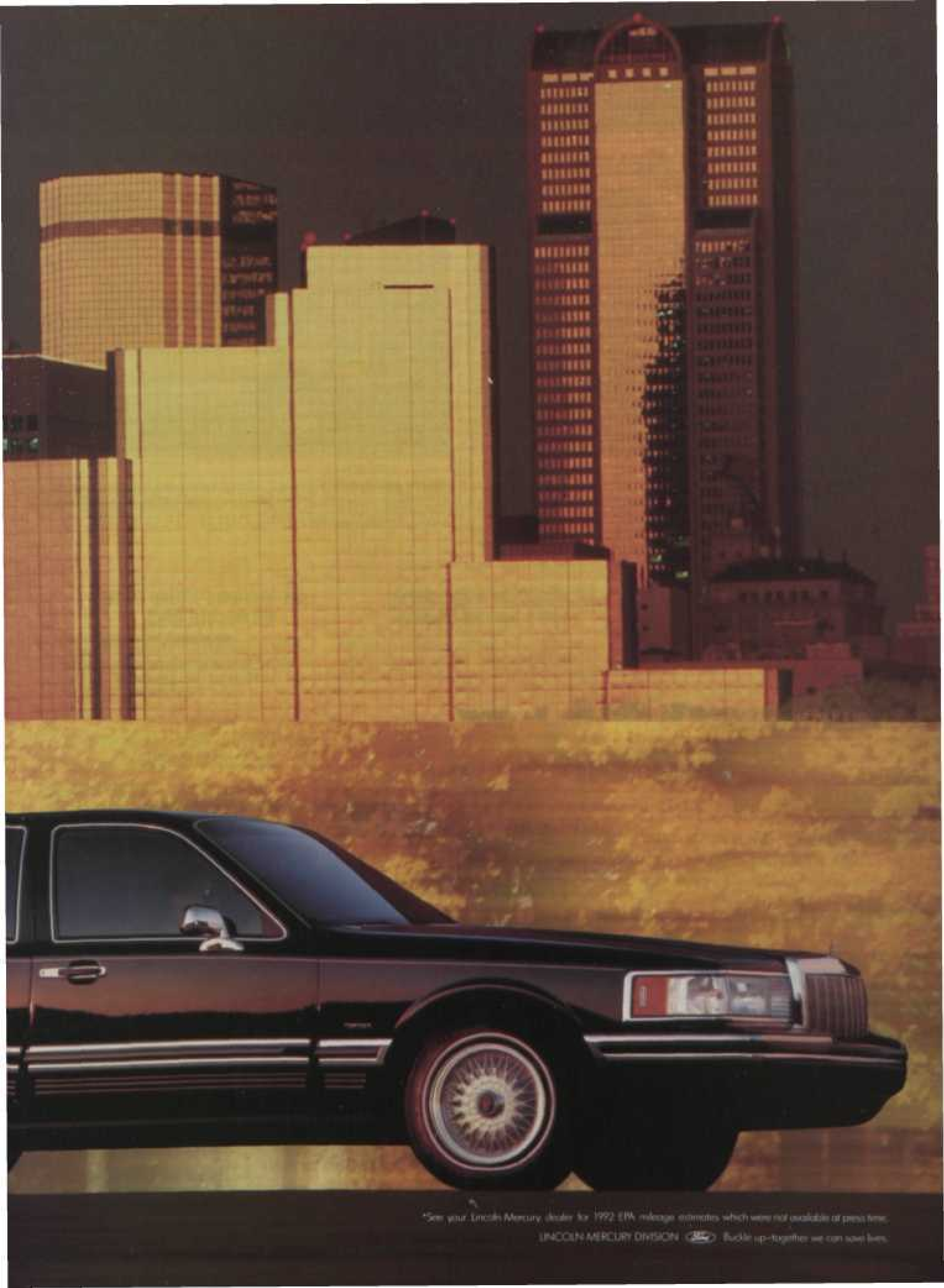
*See your Lincoln-Mercury dealer for 1992 EPA mileage estimates which were not available at press time.
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Nation'sBusiness

Published by
U.S. Chamber of Commerce
Washington, D.C.

PHOTO: ©STEVE BLOCH-BLACK STAR

Business's growing role *in education reform includes a foundation-supported "Recess Math" program for Kristine Downing's Gresham, Ore., kindergartners. Cover Story, Page 20.*

What's new in trucks *for '92: Many have been restyled and come with various engineering improvements. This is the all-new GMC Yukon. Special Report, Page 46.*

VOL. 79, NO. 10

Editor's Note

PHOTO: © LEIF SKOOGFORS/WOODFIN CAMP

Echoes of yesteryear *ring out for those who wear Peter Capolino's classic baseball jerseys. Making It, Page 13.*

DEPARTMENTS

Cover Design: Hans A. Baum
Cover Photo: T. Michael Keza

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"Community By Community, School By School"

What changes are needed to bring the U.S. school system up to the challenges of the 21st century? That is the basic question in The Great Education Debate now under way in America. The discussions center on such fundamentals as cost: Is drastically increased spending the solution? And on scheduling: Should American students spend more time in school? Ways to test achievements are also key factors in the debate. So is the question of government responsibility for children whose family situations work against their academic success.

PHOTO: T. MICHAEL KEZA

Senior Editor *Joan Szabo with Deputy Education Secretary David T. Kearns.*

While that far-reaching and complex debate continues, it is cheering to note that substantial progress is already being made throughout the country toward the goal of education reform. That progress is the subject of this month's cover story, "Schools That Work," on Page 20. Senior Editor Joan Szabo spotlights success stories reaching from inner city to affluent suburb, and it is significant that the improvements in place and producing results are there because of strong business involvement.

The success of these diverse programs demonstrates the willingness and ability of business people to accept the three-way challenge from Deputy Education Secretary David T. Kearns, a former corporate executive (see the interview on Page 25): Support real change, as opposed to "playing around the edges"; help educators understand the needs of today's workplace; and remember that school reform is a job done "community by community, school by school."

This cover package will show you how that formula has been applied in ways that will give you ideas for your own community, and it will demonstrate how business people like yourself have proven that they can make a difference.

Robert T. Gray

Robert T. Gray
Editor

Nation's Business

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Letters

More On Controlling Insurance Costs

"Ways To Control Insurance Costs" [June] did an excellent job, though there are a few points that should have been included in the article.

First, specialist insurers do not participate in the price cycle, and small firms should seek them out. These insurers commit themselves to specific markets regardless of business conditions, offering stable prices year after year.

You should also have mentioned direct writers—insurance companies that sell through their own field forces rather than through independent agents or brokers.

Finally, the article suggests the entire responsibility of loss prevention rests with the policyholder.

In fact, the best insurance companies maintain staffs of loss-control specialists who can help policyholders reduce their losses.

Thomas H. Wetzel
Senior Vice President
Norcom International Corp.
Chicago

Taming The Paper Tiger At Home

Although "Making Molehills Out Of Mountains" [September] addressed taming the paper giant by tossing out useless paper while traveling, you could have suggested that the hopelessly incurable pack rat recycle those piles of postponed decisions back at the office.

As the result of an employee's creative idea, everyone in our 70-person office has access to an "Earth Box," where mountains of extra paper that were previously pitched into a landfill somewhere are now deposited for recycling.

Holly R. Hanson
Property Administrator
Evans Withycombe, Inc.
Scottsdale, Ariz.

[Editor's Note: We, too, recycle paper, and we recommend that others do so.]

Labor's Loss Of Members Reflects Its Lost Purpose

In "Labor Targets The States" [August], you note the decrease in organized labor's numbers and attribute it to the "erosion of big labor's ability to influence events in Washington."

Actually, organized labor has decreased in power because of legislative successes. Every time Washington or a state passes labor-oriented legislation, there is less

PHOTO: ©JAMES COOK

reason for workers to join a union.

After all, labor's purpose is being usurped by government whenever pro-labor measures become law. There is no longer any need to pay dues to a union to enforce or negotiate a contract when the legislature and courts will do it for free.

Steven F. Rosenbaum
Executive Vice President
Prospect Federal Savings Bank
Lombard, Ill.

There Are Ways To Examine New Hires

"Rules On Medical Tests For New Hires" [August] contained two sections that were technically correct but possibly misleading for your readers.

You say companies will no longer be permitted to screen out prospective employees because of an elevated risk of on-the-job injury. You also quote David Copus, who concluded that pre-employment [screening] for an elevated risk of on-the-job injury would be unlawful. Readers might think that a pre-employment exam for a job-safety issue would not be allowed under the Americans with Disabilities Act.

In fact, there are two ways to address job safety and workers' compensation injuries under ADA. First, a pre-employment test that measures people's ability to perform the essential functions of the job is allowed under ADA. Second, it is clear under ADA that a direct threat to the health or safety of the individual is a valid reason to deny employment.

If you can demonstrate that there is a reasonable, objective way of assessing a person's probability of having an injury, that kind of testing is allowed.

Charles K. Anderson
Executive Vice President
Advanced Ergonomics, Inc.
Dallas

A Suggestion Some Could Live Without

A. David Silver's "Tips For Boosting Your Cash Flow" [September] included some questionable advice. He advised readers to "kill your advertising budget for a month by concentrating on 'free advertising'—that is, public relations." He went on to suggest that by offering a free $1.25 seedling with each $20 purchase to Boy Scouts, Girl Scouts, and others, the newspapers will "say where they got them—your store."

There was a time, perhaps, when such public-relations ploys would work. Today, newspapers are increasingly aware of such gimmicks and extremely reluctant to cover them.

For a businessperson to assume that such gimmickry will actually produce the traffic and sales of a well-designed advertisement is foolish.

In these tough recessionary times, retailers need more than ever to concentrate on sound, proven marketing practices.

Newspaper advertising certainly falls into that category.

Arvid Huisman
Publisher
Creston News Advertiser
Creston, Iowa

Checking Up On Employees

In your item on electronic monitoring in the workplace ["Monitoring Employees," Congressional Alert, September], you did not mention an aspect of the privacy bills that will have an adverse impact on business. Workers' compensation fraud is rampant, and the proposed legislation (H.R. 1218 and S. 516) would effectively stop businesses from investigating employees or former employees who have filed workers' compensation claims against employers.

Video surveillance would be eliminated as a tool to investigate malingerers, since the bill states that prior notice would have to be given before such monitoring could be used.

Joseph E. Driscoll
President
Buckeye State Association of Private Investigators, Inc.
Sunbury, Ohio

Be True To Your School

There was one small but glaring error in "Financing Your Franchise" [August]. In recapping Dave Powell's financing of his Gingiss Formalwear franchise, you mentioned Texas Tech "College." Texas Technological College in Lubbock became Texas Tech University in the late 1960s and today boasts over 25,000 students.

Rob LaMaster, Texas Tech '79
Vice President
Membership Services
Tucson Metropolitan Chamber of Commerce
Tucson, Ariz.

Correction

[Editor's Note: In the sidebar on loan sources that appeared as part of that report on financing franchises, the name of the CAPTEC Financial Group, Inc., of Ann Arbor, Mich., was spelled incorrectly.]

Send letters to Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062, and include your phone number.*

Letters addressed to the Editor will be considered for publication unless the writer requests otherwise, and they may be edited and condensed.

Entrepreneur's Notebook

Avoiding Too Much Of A Good Thing

By Chris Fish

My firm has been growing at a rate of about 35 percent a year. So it probably sounds strange to hear that the number actually reflects controlled and stable growth. In fact, our growth rate is nowhere near the triple-digit increases we could achieve simply by making short-term profits our priority.

Restraining growth is not the most popular entrepreneurial strategy—and it's often frustrating—but it is an intentional building block for the success of my 6-year-old company, Northwest Industrial Coatings Co. (NIC), of White City, Ore. I'm investing in the long term by choosing carefully among our near-term opportunities.

NIC has neither a catalog nor a sales force, does no advertising, and, in spite of the tantalizing opportunities on our doorstep, has no plans to sacrifice its long-term goal just to pursue every available dollar now.

NIC is involved in three different businesses: manufacturing powder coatings and equipment sold under the trade name Prismatic Powders, maintaining a facility that applies those coatings, and providing consulting services to various industries, including our own.

When the company started, I spent the bulk of my time developing new coatings—our powders come in 2,400 colors and textures—and testing and marketing them to build a reputation for unequaled quality with our customers.

Right from the start, we had chances to bring in some very big clients. They would have consumed more than 25 percent of our capacity, however, and that is more than I am comfortable with. I didn't see any sense in pursuing more than I thought the company could reasonably handle; I wanted to create a lifelong enterprise, not pile up the sales figures.

In retrospect, this was particularly fortunate when it came to certain satellite-antenna manufacturers. Had we let them, these companies could have used up all of our production capability. When their industry faltered, some of them were gone overnight; NIC wasn't.

Diversifying both our product lines and our types of customers ensures an independence over the troubles that may face our customers or their industries, and it helps to maintain a steady growth.

But even that diversity does not guard against the temptations to grow.

It is intoxicating to know that the orders are out there, that customers want to increase the business they do with you, and that there are new product applications with enormous market potential.

In NIC's case, all of our marketing is by word of mouth. We expect 1991 sales to be 14 times larger than first-year revenues, more than 10 percent per year beyond goal.

With just a little bit of marketing, this business could explode in our faces. Imagine, for example, inviting 50 people to a party. If all 50 show up and you only have enough food for 12, your guests aren't going to be satisfied.

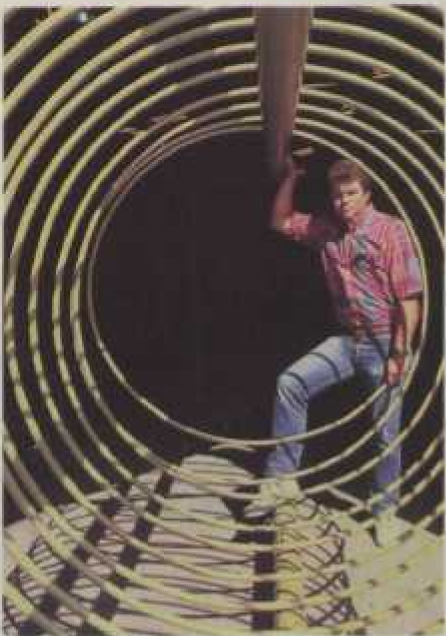

PHOTO: © STEVE JOHNSON

Chris Fish: *Limiting growth is not popular—or easy.*

NIC guards against that. If we can produce only enough food for 12, we aren't going to invite more.

What's more important is that we aren't going to expand hastily to accommodate the others. Our capabilities—ranging from production output to the skills of our new hires or our managers—determine how much we can do; we must be able to do a job to our standard before growing, rather than let demand dictate growth.

I don't want to be sitting with solid orders and lacking the materials, manpower, or capacity to fill those orders for six months. We have a responsibility to our customers; if we're not able to take care of their needs—delivering a top-quality product when they need it—then we are costing them money. I won't be in that position.

If rapid growth leads to a deterioration in product quality or customer service, the revenues will dry up—and the company will have even bigger problems. It's harder to win back a customer than it is to sign one up in the first place.

Recently, our management team got together to discuss planning. A number of people here wanted to start franchising, selling our systems and coatings to companies that want to set up independent powder-coating shops. Given the number of inquiries that we have received, we know that demand exists.

I put it off—at least until next year. The potential is there, and I'd like to satisfy it, but not at the expense of either the customer or NIC's reputation. We simply aren't ready for franchising yet; I'd rather have things organized properly before jumping in.

Limiting growth is neither a popular nor an easy strategy. Whether by good planning or a stroke of luck, NIC has been able to set and meet realistic but aggressive targets. We simply don't let our eyes get bigger than our appetite.

Don't mistake controlled growth for a desire to stay small, however. There is no limit on how big this company can be, only on how quickly it gets there and how it maintains standards along the way.

It would be easy to view controlled growth as a tortoise-and-hare exercise, but I think it's more like the rabbit winning the race while wearing a protective tortoise shell. NB

Chris Fish is president of Northwest Industrial Coatings Co., in White City, Ore. He prepared this account with Nation's Business *Contributing Editor Charles A. Jaffe.*

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Managing Your Small Business

From home to hatchery; closing a capital gap; teaching buyers to be sellers.

By Bradford McKee

START-UP

Using Incubators As Steppingstones To Growth

A move to an incubator can give a home-based firm low-cost room to grow while it sets its sights on larger commercial space.

PHOTO: © GARY WHITE

An incubator *gave Diane and Paul Santillie's firm, Pasta Mama's, affordable growing room.*

Incubators are business-development centers set up to help young companies grow beyond the start-up stage. Firms in an incubator share resources and services and pay lower rent, thus minimizing their overhead.

Vally Nance took her firm, SORRA Inc., a drug-trial company in Birmingham, Ala., "from the basement" of her home, she says, "to the incubator, [and later] to the seventh floor" of a local clinic, where the company now thrives. Nance says moving to an incubator helped her firm make a "transition of competence and confidence." Incubator managers helped her find an accountant and a lawyer, and they aided in her search for capital.

When Diane and Paul Santillie moved Pasta Mama's, their retail food company, out of their home in Richland, Wash., they went first to 1,700 square feet of commercial space. But within months they outgrew that space and relocated to an incubator. They leased 6,000 square feet at the Tri-Cities Enterprise Center, in Richland.

Tri-Cities' office manager, Leanne Lindgren, says a firm can come in for about 24 cents a square foot. The fee includes use of office machines and support staff as well as business counseling.

Pasta Mama's stayed two years at Tri-Cities. "We felt like we had a brand-new facility, and it wasn't costing us an arm and a leg," Paul Santillie says.

For more information, call the National Business Incubator Association, in Athens, Ohio, at (614) 593-4331.

ORGANIZATION

A "Democractic" Setup For Franchisees

Majority rule among franchisees is the governing philosophy at Paul W. Davis Systems, Inc., a franchised insurance and building-restoration company in Jacksonville, Fla. The company's system for making decisions and resolving disputes could work at any firm where one-sided change won't work, says Paul Davis, president.

The 159 franchise owners choose eight representatives to a national committee. Its members serve two-year terms, for a maximum of four years. The committee decides which proposed changes in operations will be put to a vote of all franchisees at their annual meeting.

Franchisees vote on matters such as changing the company manual or altering the company's quality-control practices, both of which would require the nod of 65 percent of the franchisees. Financial decisions must elicit 80 percent approval to take effect. Davis retains veto power but never has used it.

"Franchisors are historically afraid to share power with franchisees," Davis says. He adds that "any franchisor that will accept this type of government will benefit from it."

Don Mangan, a Davis franchisee in Omaha, Neb., says a typical advisory board of franchisees makes suggestions to the franchisor's board of directors, which can heed or simply ignore the recommendations. Under Davis' system, the national committee's decisions take effect unless Davis exercises his veto authority. In franchising, Mangan says, "that is unique."

MINORITY BUSINESS

Low-Interest Loans Bridge The Capital Gap

Help is available for minority companies that win big contracts but find their cash flow won't last until they're paid. The Business Consortium Fund offers financing in such a crunch.

The BCF is part of the National Minority Supplier Development Council, in New York City. It provides low-interest loans through local banks to certified minority firms that hold contracts from corporate members of the minority-supplier council or its affiliates.

A firm that benefited from such financing is Vivian Wilson's Star Detective Agency. After she won a two-year contract from the city of Chicago to patrol its buildings, she found out the city wouldn't pay her quickly. In fact, it turned out to be a six-month delay.

Moreover, Wilson's firm's bank of 68 years had recently folded. "We were just about frantic," she says.

A local minority-business group sent Wilson to the BCF, which worked with a local bank to obtain a $250,000 line of credit for her at 9 percent interest—one to three points below the market. The bank and BCF "have been just a jewel," she says.

Wilson's agency has signed another deal with the city, this one for three years.

Christopher Powell's truck-building firm, Grant Manufacturing and Equipment Co., in Tulsa, Okla., buys its materials for orders from Phillips Petroleum Co. Cash flow gets tight, he says. But Bob Adams, Phillips' head of small-business and minority-business affairs, pointed Powell toward the BCF.

Through Stillwater National Bank, BCF got Powell a $250,000 credit line. He has used as much as $40,000. "Our cash flow is such that this is exactly what we need," says Powell.

Marcial Robiou, president of the BCF, says the fund helps because "minority businesses have very poor access to capital."

When a local bank lends under the BCF's aegis, the BCF buys 75 percent of the loan.

To obtain a brochure on the BCF's criteria, write to the Business Consortium Fund Inc., 15 West 39th St., 9th Floor, New York, N.Y. 10018, or call (212) 764-5590.

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COMPETITION

Making The Best Of A Bad Market

Although subcontractors are running into difficult markets nationwide, many are finding ways to stay on top.

Brian Friedman, treasurer of GRi of South Florida Inc., a roofing firm in Fort Lauderdale, says that many companies like his are cutting back, but his firm is scaling up. Because the number of bidders has at least doubled on many jobs, Friedman has brought on additional estimators at GRi to scout for more jobs.

Friedman sees the economic slump also as a time to make sure that GRi's trucks look good, employees' uniforms are new and neat, and advertising stays fresh.

Les Kodner of Morton Floors Inc., in Lincolnwood, Ill., says competent small subcontractors should sell "quality and workmanship" to their clients. A lot of unskilled firms such as retailers, Kodner says, are bidding on skilled jobs and failing. Seasoned subcontractors may lose jobs to novices because of price, he says, but "an inexperienced [firm] is going to get burned."

Jack Hartmann, owner of Hartmann Construction Inc., in Lannon, Wis., urges contractors to stress "quality instead of quantity" and to keep their bids reasonable. Don't try to underbid the dabblers, he says. "You have to take into consideration all your unseen costs"—insurance and interest, for instance. Remember that cash flow may be "slower than usual," says Hartmann, but that you may have an advantage as a small business because "big contractors have big payrolls" and higher rates of unemployment compensation.

The American Subcontractors Association reports that competition has reached "cutthroat levels." Says Friedman at GRi: "There's a lot of jobs you have to say no to," because you lack expertise. "The system will shut out marginal players." ■

MARKETING

A Sell-On-Wheels Way To Reach Customers

Frank Mendicina wasn't going to wait for potential clients to come calling for the industrial copiers sold by his firm, Select Copy Systems Inc. But he didn't want to ask his salespeople to haul 550-pound copiers from prospect to prospect. So in 1985 he put wheels on his showroom.

He had a motor-home manufacturer design a fancy, 33-foot mobile showroom. After six months of driving the product to likely customers, Mendicina's Irwindale, Calif., company saw a 30 percent increase in sales. In the five years since, Select Copy Systems has commissioned two more rolling showrooms and has boosted its sales an average of 20 percent per year. "It's paying off," he says. ■

COST CONTROL

When You Cut Expenses, Don't Slash Value

Kevin Grevey has cut costs—thousands of dollars a month—at his Falls Church, Va., restaurant. But he says he learned not to cut corners that would lower quality and value.

Grevey bolstered his buying power by joining eight small restaurants in a food cooperative, which saves Grevey's Restaurant about $3,000 a month. The group's members also buy china, flatware, and paper products together.

By picking up his own liquor from the warehouse, Grevey saves $30 a week in delivery. He pockets $25 more weekly by taking care of his own boxed plants. His chef now keeps his eye on the medical kit, eliminating wasteful use of supplies that used to cost about $150 a month. Kitchen and restroom cleanup is now handled by employees rather than a cleaning company, Grevey says. "Bathroom cleaning was a frivolous expense."

But when he tried stopping the linen service, rolling utensils in paper napkins instead, he discovered "the public wants 100 percent fresh cotton linens" at the tables.

Customers also want good food value. To boost margins on steak sales, it would be simple to serve 10-ounce instead of 12-ounce steaks, Grevey says. But he has concluded that sales and profits are likely to be even better if he offers 14-ounce steaks instead. "You have to make sure you give a very good value at a very good price," he says. "Word will get out if you cut costs in the wrong area." ■

PHOTO: T. MICHAEL KEZA

A purchasing co-op *with other restaurant owners cuts costs for Kevin Grevey, right, shown with a vendor.*

SELLING

Tips For Turning Customers Into Informed Buyers

After 28 years of accepting returned merchandise in his family's Portland, Ore., jewelry store, Alan Zell concluded that salespeople don't teach customers enough about what they buy. Zell says sellers should educate customers as if they'll be selling the product to someone else.

Now that Zell is a consultant and SCORE/ACE volunteer for the U.S. Small Business Administration, he recommends that for every product salespeople sell, they should teach their customers the following:

Who makes the product, and where does the manufacturer fit in the market? This tags the maker's credibility.

How is the product made, or how is the service delivered? The higher the price, the more the customer may want to know that information.

What is it made of? Platinum? Stainless steel? Straw?

Why does it look the way it does? Keep in mind that although you may know the product intimately, the reasons for its appearance may not be obvious to others.

What makes it distinctive? "People buy differences," Zell says.

When is it used? How often? With whom?

How should you care for it?

What are the roots of its conception and design? "Some things are fads," says Zell, "but people buy them knowing it."

How could the product fit into customers' lives? If it doesn't pertain, why should they buy it?

Finally, how does it fit the customer's budget—of money, time, space, or effort?

Zell says some of this is "repetitive knowledge," but that chief among the fears that keep people from buying is "fear of a lack of knowledge." ■

NB TIPS

✓Need equity financing or long-term credit? Get *Venture Capital: Where To Find It*, the membership directory of the National Association of Small Business Investment Companies. It lists more than 200 SBICs, gives details on the types of ventures they fund, and offers brief tips on approaching an SBIC for money. Send $10 (includes postage) to NASBIC, P.O. Box 2039, Merrifield, Va. 22116.

✓The future of health-care financing in the U.S. is on the minds of many business people. The National Chamber Foundation is holding a one-day conference to look at the legion of health-care proposals in Congress. "Rethinking Utopia: Health Care Reform And Its Funding" will be held Nov. 14, 1991, at the U.S. Chamber building in Washington. Prominent policy experts and industry analysts will analyze the economic realities of changing the way we pay for health care. The cost is $245 per person. For more information, call Renée Nowland at the National Chamber Foundation, (202) 463-5866. NB

Dateline: Washington

Business news in brief from the nation's capital.

By Mary McElveen

LITIGATION

Civil-Justice Proposals Could Benefit Business

Vice President Dan Quayle's recent proposals to overhaul the civil-justice system embody many business-backed reforms that could help control business's legal costs.

The proposals, approved by the administration's Council on Competitiveness, which Quayle heads, seek to control the explosive growth of civil litigation and to reduce the related costs to the economy.

Among the 50 recommendations, which were developed by a task force headed by Solicitor General Kenneth W. Starr:

■ Limit punitive damages—those designed to punish the defendant regardless of financial loss to the plaintiff.

■ In certain instances, require the loser in a court case to pay the winner's legal fees.

■ Reform certain trial procedures to increase the judicial system's efficiency and promote alternatives to the judicial system for handling disputes.

Jeffry Perlman, manager of legal and regulatory affairs for the U.S. Chamber of Commerce, said: "The most important reforms would protect individuals' and businesses' right to sue to correct injustices. And, in that light, these reforms would speed justice and help eliminate uncertainty in the system. The reforms would reduce business transaction costs and, hopefully, discourage individuals from bringing frivolous lawsuits."

According to the report accompanying the council's recommendations, business and government spend more than $80 billion a year on direct litigation costs and higher insurance premiums resulting from litigation, and up to $300 billion indirectly a year, including efforts to avoid liability.

The council recommended that its proposals be implemented through legislation, administrative action (including presidential orders), and changes in the federal rules of civil and appellate-court procedure and in the rules of evidence.

The U.S. Department of Justice is coordinating the administration's reform effort. ■

Source: President's Council on Competitiveness

REGULATION

Wetlands Agreement Is Sign Of Progress

An agreement within the administration to modify the federal definition of what constitutes a wetland may eliminate some complaints from affected business people, who include farmers and developers, over the broad nature of wetlands regulation.

The changes, advocated by the administration's Council on Competitiveness and agreed to by the Environmental Protection Agency, would narrow the definition, which had been expanded in 1989.

The 1989 definition had increased the amount of land regulated as wetlands.

The latest changes, issued for public comment by the administration, would increase the time and depth at which soil must be saturated for it to be considered a wetland. They would also revise the types of vegetation that must be present for an area to be considered a wetland. Both changes should reduce the amount of regulated land.

Nonetheless, some members of Congress, such as Rep. James A. Hayes, D-La., who has introduced business-backed legislation in the House to change wetlands regulations, say the change in definition helps but does not go far enough.

According to Hayes, the regulations should be based on the functions and values of wetlands rather than on broadly defined wetlands characteristics. ■

STANDARDS

Federal Agencies Plan Switch To Metric System

A new push is under way to encourage U.S. conversion to the metric system.

A recent executive order signed by President Bush gives the U.S. Commerce Department the authority to coordinate metric use by the federal government and requires federal agencies to draft plans for incorporating the metric system into their federal contracting processes by Nov. 30.

While the federal conversion effort has languished over the past decade, 1988 amendments to the Metric Conversion Act of 1975 established a Sept. 30, 1992, target for federal agencies to make the switch.

According to an agency spokesperson, the Commerce Department plans to work with companies through the federal contracting process to foster conversion efforts. Conversion to metric standards for companies outside the contracting process will remain voluntary. ■

LEGISLATION

Business Awaits Possible Changes In Civil-Rights Bill

A broad coalition of business and trade associations is awaiting possible modifications to civil-rights proposals introduced in June by Sen. John C. Danforth, R-Mo.

Danforth has been leading a group of lawmakers trying to negotiate a compromise between the Bush administration and congressional Democrats on job-discrimination legislation. The administration and business believed the three Danforth bills introduced in June did not adequately address their concerns on such issues as punitive damages and provisions they say would lead to hiring quotas.

Negotiations between Danforth and the administration broke down before the August congressional recess, with Danforth calling the differences narrow but deep. However, Danforth was expected to introduce a consolidated civil-rights bill with changes in some provisions.

According to a spokesperson for business's Fair Employment Coalition, the nature and extent of any modifications would determine whether the business group could support revised Danforth legislation.

Business strongly opposed legislation passed by the House in early June. NB

Making It

Growing businesses share their experiences in creating and marketing new products and services.

If Clothes Make The Man, His Customers Are All Headed For Big-League Careers

Five years ago, Peter Capolino owned a Philadelphia sporting-goods store that he describes as "a minor-league prospect without much of a future." Then an obscure major leaguer named Chet Laabs turned the business around.

Well, not exactly. As it happened, one day a customer walked into Capolino's store, Mitchell & Ness, carrying a 1946 St. Louis Browns jersey once worn by Laabs. The flannel shirt, frayed and moth-eaten, badly needed repair, and Capolino agreed to give it a try.

He went searching for a few yards of the rare wool flannel used to make baseball uniforms before clubs switched to double-knits in the 1970s. In a local warehouse, Capolino found bolt after bolt of the outmoded material. He also found inspiration. If old-style baseball caps sell, he thought, why not old-style shirts? If collectors were willing to pay thousands of dollars for authentic jerseys, wouldn't serious fans pay $175 and up for a replica?

To find the answer, Capolino had six copies of the Browns jersey made. Even though the franchise has been defunct since 1954, the shirts all sold in a week. Capolino designed and ordered six dozen more—1951-vintage Philadelphia Phillies jerseys and New York Yankee pinstripes with Mickey Mantle's familiar No. 7 sewn on the back. They were gone within days.

"I had to pay C.O.D. for the flannel because the salesman thought I was nuts," recalls Capolino, 45. "I probably *was* nuts. To be honest, I had no idea this would work. But I had nothing else going for me at the time, so why not try? What I didn't know then was how much this would stir long-lost emotions of baseball fans."

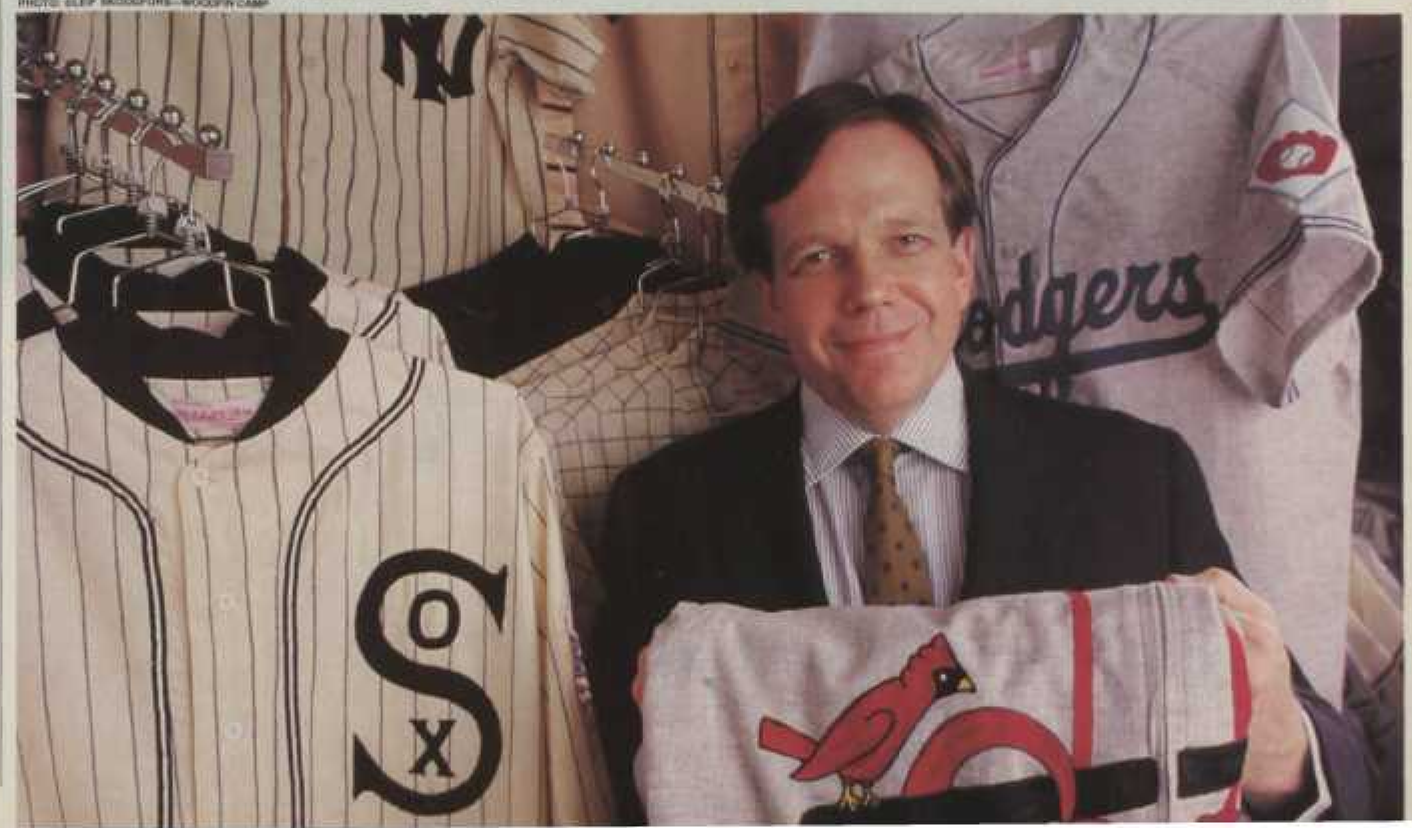
The emotions are easy to understand. For fans who once watched games at such ballparks as the Polo Grounds and Connie Mack Stadium, wearing the jersey of a team that played there can summon up romantic, nostalgic feelings. For fans born after the demolition of those parks, a jersey offers a chance to feel close to baseball's history.

Today, a visit to Mitchell & Ness is like a stroll through the Iowa cornfield in the movie *Field of Dreams*. A faithful reproduction of Warren Spahn's old Milwaukee Braves jersey, with the bright red tomahawk across the front, hangs in one aisle, while Stan Musial's colorful 1946 St. Louis Cardinals model, with birds perched on an embroidered bat, hangs in another. The all-black jerseys used by the 1905 New York Giants to intimidate the opposition are here, as are the shirts worn by the Chicago White Sox when they threw the 1919 World Series. You can almost smell the real grass again.

The biggest seller? "Definitely Mickey Mantle," says Capolino. "Every kid from the 1950s who grew up wanting to be Mantle now gets that chance—at least in terms of fashion."

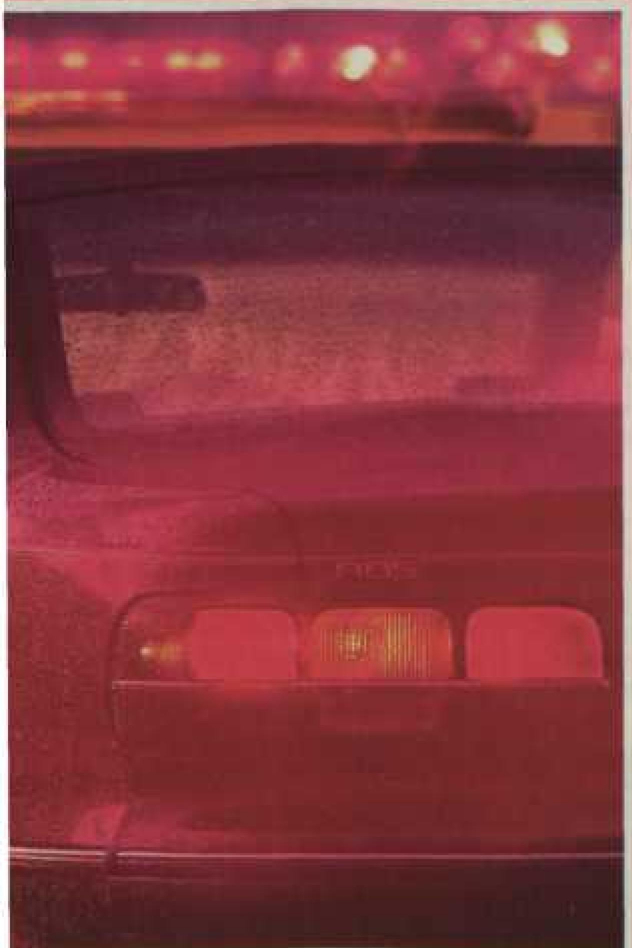
Overall, Capolino describes his clientele as college-educated, 35-to-60-year-old professionals making more than

"If you wear it, *he will come." Well, maybe not, but Peter Capolino's Philadelphia store still sells lots of classic baseball jerseys.*



It's No Accident This Chevrolet Caprice Was Able To Stop Safely.

The development of the anti-lock brake system (ABS) is arguably one of the most significant automotive advancements in history. When braking, ABS allows the average driver to retain steering control while avoiding potentially dangerous situations on the road. For 1992, Chevrolet features standard ABS on Caprice, Corsica, Beretta, Cavalier, Lumina Euro, Lumina Z34 and Corvette. Four-wheel ABS is also standard on the Chevy APV Cargo and Passenger Vans, the All-Wheel-Drive Astro Cargo and Passenger Vans, the S-10 Blazer and the new C/K Suburban and K-Blazer. And rear-wheel anti-lock brakes (RWAL)* are standard on many other Chevy trucks and vans. When it comes to giving you a wide selection of vehicle choices equipped with standard anti-lock brake systems, it's easy to see why today's fleet company is Chevrolet.



The Heartbeat Of America Is Winning.™

TODAY'S FLEET COMPANY IS CHEVROLET.

$75,000 a year. "That's not the core market of sports fans," he says. "It's the George Will-John Updike-George Plimpton audience. These high-powered people come in my shop, and it's like someone handed them a lollipop." The list of lollipop-eaters includes such notables as Jamie Lee Curtis, Billy Crystal, Spike Lee, and Sen. Edward Kennedy.

It also includes Barney Sofro, chairman of the 600-store House of Fabrics chain. Sofro, 49, ordered a jersey three years ago to wear while coaching Little League. Since then, he has added seven more, which hang in his Sherman Oaks, Calif., office.

"When I want a good feeling, I just slip on a '57 Eddie Mathews and ride my bike to the beach," says Sofro. Mathews, who played third base for the Milwaukee and Atlanta Braves, hit 512 career home runs. "It's like putting on a suit of armor," says Sofro. "It makes me feel like maybe if I practice hard enough, I still can grow up to be a big leaguer."

Fantasy aside, Sofro and others are also attracted by Capolino's intense attention to detail. He has spent months poring through old books to research the minutiae of old uniforms—like the 1939 World's Fair shoulder patch worn that season by New York teams. "Not many people can tell you that the Dodgers' uniform number shrunk by one inch over the years," Capolino says. "But my customers can."

The base of customers is growing rapidly. In 1987, Capolino sold about 1,000 jerseys, grossing close to $120,000. By 1990, sales had grown to 10,000 jerseys and $900,000 (he pays 10 percent of the gross to Major League Baseball as a licensing royalty). This year, he projects sales of 17,000 shirts for $1.5 million.

To feed the demand, Capolino recently added a line of authentic baseball warmup jackets, which retail for $225 to $600. And he began selling to other retailers, including Hammacher Schlemmer, Nordstrom, and Lands' End. On this day, he is on the phone with Macy's, which wants to send three executives down from New York to examine the line of old uniforms.

"My product has outgrown my store," says Capolino, not exactly distressed at the development.

"The question now is whether I'll be a shooting star or if I've got something that will last. Clearly I'm riding the wave of nostalgia, but I think I'm doing it right, with a well-constructed product that lasts forever. Besides, how could I ever saturate the national market of baseball fans?"

—Glen Macnow

Can A Business See Itself As Its Customers See It?

"Perception is all there is," Tom Peters and Nancy Austin write in *A Passion for Excellence* (Warner Books). "There is no reality as such. There is only perceived reality."

For all practical purposes, a business is what its customers think it is. And in many cases, says Mike Wing, 31, a Tucson, Ariz., businessman, owners' and customers' perceptions of a firm "are vastly different."

Wing has built a business on those differences in perception. InfoPlan International, his market-research company, has shot in four years from virtually no revenues to a projected $8.25 million this year, and it has been profitable almost since the start.

In 1987, Wing recalls, he wanted to hire a research firm to survey the customers of a Swedish-owned company he was running (he established a Swedish connection in 1981, when he was just out of the University of Colorado and living in Sweden while he coached the Swedish national baseball team). He found his choice was between standardized, "cookie-cutter" questions and customized research, at a cost three to four times as great.

"The more I looked into the first," he says, "I was almost offended that somebody would think our business was so generic" that standardized questions would yield useful data.

He had already been dabbling on the side with InfoPlan, then a one-employee research firm that had grown out of Wing's statistical work when he was getting a master's degree in public policy. His dissatisfaction with existing market-research firms led him to incorporate InfoPlan as a company that would specialize in "cost-effective, customized research," with small and midsized businesses as its targets.

InfoPlan's research typically takes the form of questionnaires tailored to the customers of a particular business, so that, for example, a resort quizzes its customers about its check-in procedures and its landscaping, and an accounting firm asks if its customers are aware of all the services it offers—loan negotiations, tax planning, and so on. InfoPlan tabulates and analyzes the answers.

PHOTO: ©DON STEVENSON

Mike Wing's *Tucson firm helps businesses to look in the mirror.*

Such customized questionnaires generate a response strong enough to be statistically valid, Wing says—InfoPlan guarantees a response rate of at least 15 percent, and the rate usually runs twice that—and they yield much more useful information than questionnaires of the "cookie-cutter" variety.

In service businesses, especially, with their many points of contact with customers, the questionnaires can reveal startling gaps between customers' and companies' perceptions. One of Wing's favorite examples: an accounting firm whose customers were drawn to it in large part not by what the accountants did, but because the receptionist was so friendly and helpful.

Wing says that most surveys cost between $5,000 and $7,500—figures that he says compare with the fees for a lot of "cookie-cutter research," despite the extra preparation that customized research requires. Wing insists that he makes "a fair return" even on an initial survey, but, clearly, InfoPlan banks on repeat business. Wing says that 98 percent of his 5,000 customers have come back for more surveys, sometimes as often as once a month; many surveys can use the same questions as before.

InfoPlan's staff has grown to around 40, but Wing now plans to expand through franchising. InfoPlan's franchisees will become its contact with its clients, but InfoPlan will still prepare the questionnaires and process the data, with the same goal in mind as before: helping businesses keep the customers they have.

"I look at business now as almost like a big barn," Wing says. "We bring in as many people as possible, but we forget to close the back door."

—Michael Barrier

How He Helps Jurors Stay Awake By Turning Trials Into "Multimedia Events"

Litigation Communications, an Alexandria, Va., firm, prepares visual aids—charts, graphs, videos, models, and so on—that lawyers use in trials. Like many another business, it hangs framed letters from satisfied customers on its walls. At first glance, one letter from a federal prosecutor might seem an odd choice for such a place of honor. "I regret to inform you," the letter begins, "that we are unable to utilize your charts at a trial."

But read on. Those charts traced the criminal dealings of a union boss who had been indicted for racketeering. Once the defendant got a look at the charts, the prosecutor wrote, he pleaded guilty to racketeering, embezzlement, and income-tax evasion.

The prosecutor's letter continued: "I suspect that your vividly graphic display of how the evidence inexorably and inescapably established his guilt was not lost upon him, and had more than a little to do with his decision to plead guilty."

In the past decade or so, lawyers have been discovering what everyone else has known for a long time: A picture can be worth a thousand words. Visual aids can make even the most complicated illegal transactions clear to a jury, whereas hours of testimony may only put them to sleep.

When Theodore D. Ciccone founded Litigation Communications in 1982, he knew of only three other companies that specialized in such visual aids. Now the field is more crowded, but Ciccone's firm still holds a leading place in it, with annual revenues somewhere above $1 million. He started with a single "little closet," Ciccone says, with "just enough room to put a desk in there, and one chair—the second person would have to stand." Now Litigation Communications occupies its own 5,500-square-foot townhouse in Alexandria's historic Old Town; it has seven full-time employees and works with around three dozen outside specialists.

Ciccone, 48, a native of Rochester, N.Y., first became aware of a potential market for "demonstrative evidence" (as opposed to oral testimony) in the 1970s, when he was a manager for a Washington, D.C., visual-communications company. That company prepared materials of the same general kind that Ciccone prepares now, but for an international clientele, primarily large oil companies.

"At one point," he recalls, "a law firm asked me to do a presentation for them, and I thought, well, what's the difference? It's a presentation for an audience." He began trying to sell the concept to other law firms, but "it really wasn't flying, because lawyers weren't all that interested in putting on dog-and-pony shows."

In 1982, Ciccone felt the stirrings of entrepreneurship, and he talked to his employers about buying the company from them. Instead, they fired him.

Ciccone abruptly found himself, as he says, "stripped naked": "They took the keys to my company car, they took my American Express card, they took my dignity. I was a total basket case."

PHOTO: EMANUELLO PAGANELLI—WOODFIN CAMP

Ted Ciccone's *Virginia firm brings computer animation to courtrooms.*

He started his own business, Ted Ciccone & Associates, without having any idea what kind of business it was. "I was determined that I wasn't going to work for anybody else," he says, "but I didn't know what the hell I was going to do, make pencils or widgets or what have you." Within a few weeks, he settled on developing visual aids for trials and hearings.

Work came in slowly at first, as Ciccone attended the legal profession's equivalents of trade shows and struggled to make himself known. By the end of 1983, he recalls, "I was ready to give up." But then, in 1984, came two breakthroughs: He was hired not just by General Motors, to prepare its exhibits in a major case, but also by the lawyers who represented Gen. William Westmoreland in his suit against CBS over a supposedly libelous television documentary.

If he had previously found lawyers reluctant to use visual aids, Ciccone found just the opposite to be true in the Westmoreland case. The judge, he recalls, encouraged their use, even to the point of commissioning some for his own use in instructing the jury. "We set up a mini-TV-station in the courtroom," Ciccone says, using two 3/4-inch video players and a dozen monitors, in addition to a host of flow charts and large displays. As Ciccone says, "It was a multimedia event."

Since then, Ciccone has not lacked for work, much of it from Washington-based law firms, prosecutors, and congressional committees, in such high-profile cases as the prosecution of TV evangelist Jim Bakker and the impeachment of federal Judge Alcee Hastings. Ciccone estimates that his firm is devoting about 20 percent of its time now to prosecutions growing out of the savings and loan scandal.

Reducing the S&L cases to comprehensible graphics is particularly difficult, Ciccone says, because many perpetrators' schemes are so excessively complicated. Two members of his staff—with backgrounds in art and engineering, not law—read the necessary legal documents and prepare rough layouts. The lawyers involved clear these layouts before they go to Ciccone's highly computerized production department, from which they emerge usually as large flow charts.

"The majority of judges are very flexible" in permitting the use of such visual aids, Ciccone says, because "they help to identify certain aspects that verbal testimony can't." And now that visual aids have proved their value, advances in electronic communication are more and more likely to find their way quickly into courtroom use. The high-tech future of courtroom visual aids can be glimpsed in the dazzling computer animation in some of Ciccone's videos (there is no better way to explain complex industrial procedures).

Courthouse loafers have always known that trials can be some of the best free entertainment around, and thanks to Ted Ciccone and his competitors, the show will probably keep getting better.

—*Michael Barrier*

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She served as aviation editor for *Cosmopolitan* and designed and marketed a line of luggage. She founded two successful airlines and created fashions for top department stores like Macy's and Marshall Field's.

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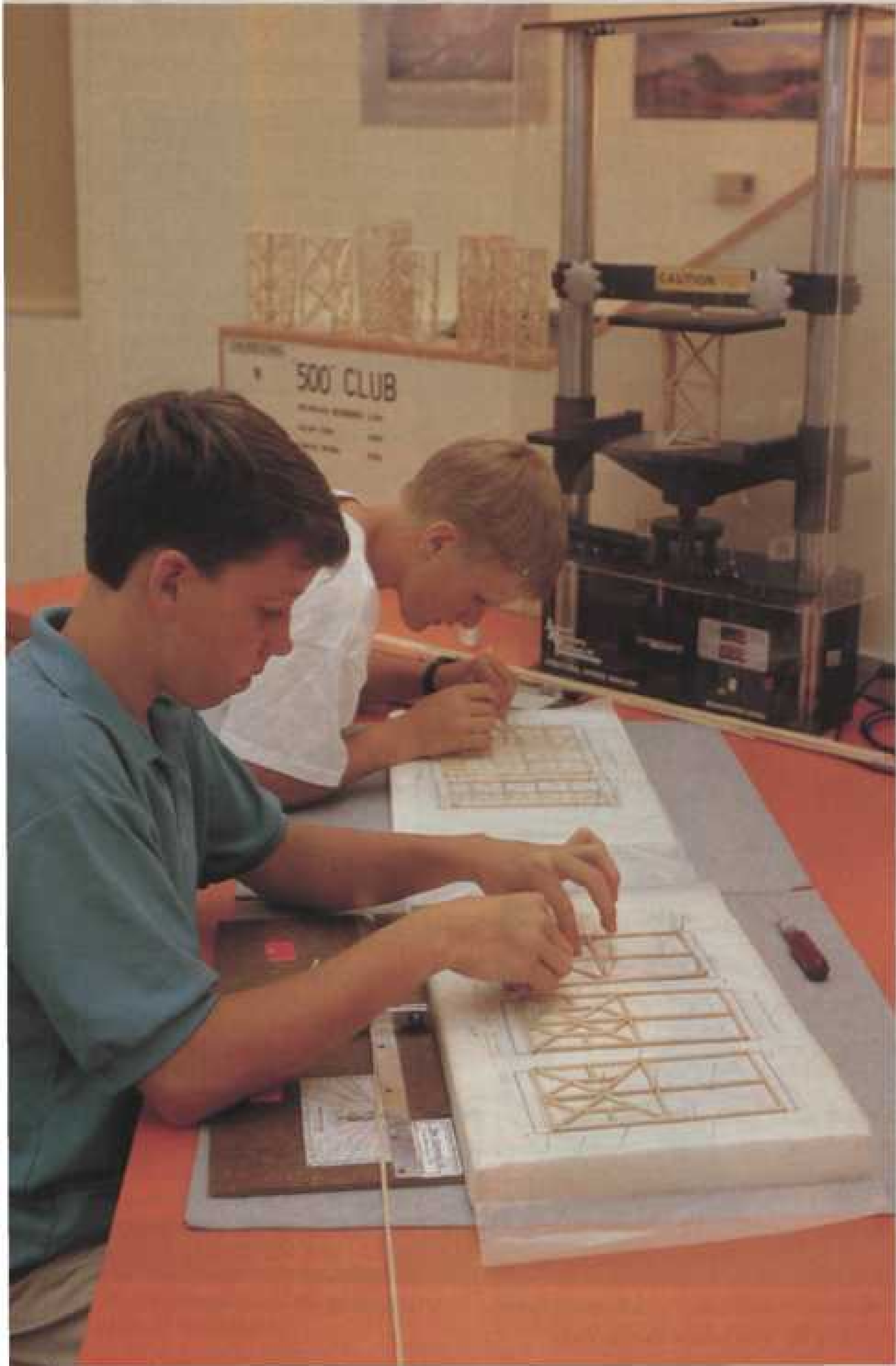
COVER STORY

Schools That Work

By Joan C. Szabo



Nestled in the northwestern Georgia hills, the bustling town of Dalton is known as the "Carpet Capital of the World." The area's 200 mills manufacture 66 percent of all the carpet produced in the U.S.

The community knows what it needs to maintain that pre-eminence: a work force able to master the manufacturing technology critical to survival in today's marketplace.

But in Dalton and surrounding Whitfield County, 56 percent of the area's adults have less than a high-school education.

The gap between the need and availability of workers who can respond to the demands of modern production techniques is both a concern and a stimulus to Dalton.

In this regard, Dalton is a representative community in the intensifying national debate on what needs to be done to improve work-force capabilities by improving the education system.

This policy discussion involves Americans from the small-business owner seeking a computer-knowledgeable assistant to President Bush, who sees the nation's education shortcomings as a threat to its ability to remain a major force in the global marketplace.

The president's response is "America 2000," an education plan envisioning a 90 percent graduation rate in high schools (it was 72 percent in 1989), No. 1 world standing for U.S. students in science and mathematics, and establishment of checkpoints to evaluate students' performance in key areas as they move through school systems.

The president wants an education system that will enable every adult American

For better education: *At left, engineering-module students constructing balsa-wood towers at a junior high school in Dalton, Ga., a community preparing its students for the technological demands of the workplace. At right, elementary students in Chicago at the Corporate/Community School, which is run like a business.*

Business efforts to reform education are paying off. Here are some outstanding success stories.

to be literate and possess the knowledge and skills necessary to compete in a global economy and to exercise the rights and responsibilities of citizenship.

Business leaders not only support those and other goals in the president's plan but also have anticipated his call in many respects by undertaking initiatives that are already showing progress.

A major project at the national level is the work of The Center for Workforce Preparation and Quality Education, an affiliate of the U.S. Chamber of Commerce.

The Center is mobilizing grass-roots reform by offering resources and assistance to local chambers of commerce.

As a result of the Center's efforts, 600 local chambers across the country have pledged to try to work toward the president's education goals and develop strategies for their implementation.

"Businesses must join in partnership with the schools in their communities and their states and look at ways to reform the education system itself," says Edward Donley, chairman of the Center and a pioneer in education reform.

Although the Center takes a national perspective, Dalton offers an outstanding example of what localities can achieve under business leadership that is determined to confront education problems head-on.

Business and education leaders in the Georgia community have joined in a far-reaching and highly innovative educational-improvement partnership. One striking accomplishment: The high-school dropout rate in the area has fallen from 43 percent for the period 1983-86 to 35 percent for 1987-90.

Elsewhere in the country, other initiatives are under way. In Chicago, business is among the sponsors of an inner-city elementary school run like a business and developing innovative teaching methods.

In suburban Virginia, a corporate-funded high school offers such excellent science and technology courses that there are five applicants for every freshman-year slot.

A foundation-supported program has Oregon grade-schoolers flocking to special math classes during recess.

Other business-supported education projects throughout the nation are making major contributions to the critical national goal of improving education.

Following are reports on initiatives that can offer ideas to business people everywhere who are searching for specific steps for improving their own communities' schools. While some result from initiatives by larger companies, smaller firms can explore ways to modify them for local use.

Dalton: "Education Is Essential"

The Dalton program is of special interest because it reaches many aspects of education problems.

Alarmed by the growing deficit of learning skills within the work force, the Dalton area's business and education leaders mobilized to restructure the community's schools and to improve educational capabilities of workers who had left school.

Major goals were improvement of student performance and increasing the high-school graduation rate.

Those and other initiatives are necessary if the region is to remain a world-class manufacturing center and to continue to attract and retain new businesses, says George Sutherland, executive vice president of the Dalton/Whitfield Chamber of Commerce, which spearheaded the school project.

"Dalton felt that the most valuable economic-development program we could have would be one that equipped our labor force to meet the changing needs of the workplace," he says.

As part of this campaign, the Dalton

PHOTO: ©STEVE LEONARD—BLACK STAR

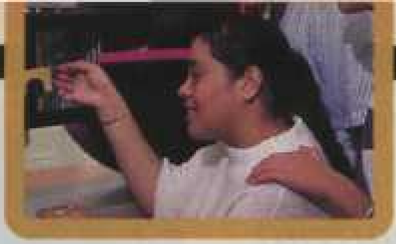
chamber asked local companies, both large and small, to commit to specific steps.

More than 300 companies in the area signed a pledge to encourage job applicants under 19 to finish high school before seeking a job with their companies and to hire high-school students on a part-time basis only, establishing contact with the school counselor to ensure that attendance and grades are maintained.

The other points in the pact include stressing the value of education to employees and giving special recognition to employees who receive a high-school equivalency diploma and to employees' children when they graduate from high school.

"When a company says it is important to stay in school, that means something to workers here," says Sutherland.

Dalton also established an alternative high school to encourage dropouts who work during the day to take classes at night and eventually complete their high-school education.



To spark interest in technology careers among younger students, Dalton's junior high school launched "Explorations in Technology." The program lets students investigate and study 15 different engineering-technology areas, including computer-assisted design, desktop publishing, automobile research and design, robotics, and television production.

A $25,000 matching grant from the state of Georgia provided the funds to get the program off the ground. Instructor Randy Ware designed the program's 15 workstations, and in-house maintenance personnel constructed each one at considerable savings to the school.

PHOTO: T. MICHAEL KEZA

Six-year-old *Thomas Jefferson High School for Science and Technology, in Fairfax County, Va., has received $5.5 million in contributions from business, enriching a demanding program that draws five applicants for every freshman-year slot.*

A public-awareness campaign spotlights the value of staying in school. In addition, a speakers' bureau arranges school visits by business people who discuss why employers need students with a high-school education.

Dalton also launched a second-chance program so that high-school students with children can stay in school and graduate. A well-equipped day-care center housed in the high school itself provides care for infants and toddlers at no cost to the students. In addition, teenage mothers receive parenting and job-skills training.

In addition, Dalton has launched a computer-assisted learning program to teach adults reading, language, and math skills, from beginning literacy through the General Educational Development (GED) diploma. By making use of the GED program, individuals who have not received a high-school diploma can earn certification for an equivalent school achievement. Some employers in the area also offer in-plant GED classes so that workers can earn their diplomas.

Chicago: A "Break-The-Mold" School

Chicago's Corporate/Community School of America (C/CSA) is making great strides toward creating a "break-the mold" school for inner-city youth. C/CSA is a not-for-profit coalition of business executives, educators, and community leaders working for substantial improvements in urban public education. C/CSA launched a flagship school in 1988. Its founder and chairman, Joseph Kellman, says that the school already is a working model for President Bush's plan to establish new American schools across the country to spur education reform. Kellman is president of Globe Glass & Mirror Co., a $100 million Chicago-based auto-glass company.

This inner-city elementary school on Chicago's West Side is financed with $3 million in corporate and foundation grants.

Although Kellman proposed the concept for the school in the late 1960s, it was not until he found an enthusiastic ally in Vernon R. Loucks, the chairman and CEO of Baxter International, a Chicago hospital-products manufacturer, that he could make the school a reality. Loucks led the funding drive that enabled Kellman to launch C/CSA.

Neighborhood children ages 2 through 13 attend C/CSA. Of the children in this area, known as Lawndale, 80 percent are born to single women; 60 percent of the families subsist below federal poverty levels.

Students are chosen by a random computerized process. No tuition is charged. A recent grant totaling $400,000 will enable the school to increase enrollment to 300 pupils from 250 in the 1991-92 school year. According to Primus J. Mootry, the Corporate/Community School's project director, the school is operating for about $5,100 per pupil each year, which is about the same amount spent per student by the Chicago public-school system.

C/CSA is run much like a business. It has a 15-member board of directors that includes seven corporate executives from such Chicago-based companies as Baxter International, Quaker Oats, Commonwealth Edison, and Sears, Roebuck. Principal and CEO Elaine Mosley says she gives her teachers the power and management authority of executives. The teachers tailor instruction to students' individual needs.

A major aim of the school is to serve as an education laboratory, sharing new methods with the Chicago public schools. In many ways, C/CSA has allowed educators to "take the handcuffs off and begin to do some of the things that all the research suggests must be done if we are going to see educational improvement in this country," says Mootry.

Some of the innovative features include year-round instruction, a longer school day, above-standard wages but no tenure for the principal and teachers, day care for children of working parents, a full-time nurse who helps link children and

their families with 70 community-service agencies, a preschool program for 2- and 3-year-olds, a nongraded structure so that children can proceed at their own pace, and strong parental and home involvement.

C/CSA encourages such involvement by providing parents with adult education that leads to high-school diplomas or helps parents keep pace with their children's reading skills. Parents also participate as volunteers in the classroom, cafeteria, and administrative office.

Looking ahead, project director Mootry says the long-term aim is "to establish a national series of these schools, hopefully one in every major city in the country, with the goal of using the schools as vehicles to organize and link business leaders, educators, and community people across the country around the ideas that are embodied in the school."

Educational improvements to date are laudable. Standardized tests administered in 1989, 1990, and 1991 show significant achievement in vocabulary and reading in all class groups.

In the future, corporate contributions to C/CSA will depend on educational achievements. Says Mootry: "Our corporate investors have made three-year pledges with the understanding that if we are meeting the educational-achievement milestones that we set for ourselves, those pledges will be renewed. So far, few from among our group of supporters have dropped out."

New York: Parental Choice In Action

The parental-choice concept in education is based on competition, so it's not surprising that the idea draws strong support from business.

Basically, that approach rejects the traditional and rigid school-boundary approach and allows parents to determine which schools within a broad geographic area are best able to meet the children's needs.

Supporters of parental choice say it improves education standards by forcing schools to compete for students. As in any competition, schools must keep increasing their performance to keep attracting students.

Among other approaches, schools in a choice system empower their staffs to design and implement educational programs that will be attractive to parents. Such schools are free of the often-stultifying bureaucracies that hamper quality education, and they are also more accountable to students and parents.

In addition, say supporters of parental choice, schools operating under that arrangement have higher levels of student achievement, better attendance, higher graduation rates, and reduced vandalism.

School-choice programs can be administered in various ways. President Bush, for example, has proposed that parents be given vouchers in specific amounts that could be applied to tuition at any private or public school in a state.

Opponents of choice maintain, however, that a process that allows use of tax funds in private schools could eventually undermine public education. The most vociferous opponents include teachers' unions, which argue that choice will result in the closing of some schools.

Despite the controversy, school districts in numerous states are experimenting with some form of choice.

One celebrated example of how well choice can work is New York City's East Harlem Community School District 4.

Composed mainly of Hispanic and black students, the district is one of 32 community school districts in New York City. Most of its students are poor, and many do not speak English when they enter public school.

The district operates 24 junior high schools. Many of them are organized around a theme, such as performing arts, computer science, and health and biomedical studies, while others operate as traditional junior high schools. Students finishing sixth grade must complete an application to attend one of these junior high schools, and they must rank their top six choices among the 24 schools.

"When you give youngsters an opportunity to select a learning environment based on their interests and abilities, they buy into a concept, and that helps reduce the problems you face," says John Falco, District 4's director of alternative programs. In addition, he says, the district's choice program allows teachers and students to work well together. "They get to know each other, and as a result you are able to deal with problems more effectively."

The impact on teachers has been positive. Says Falco: "The teachers are given an opportunity to be part of a school where they can exercise their expertise and experience, and be involved in the development and the implementation of curriculum. As a result, we have had an increase in average daily attendance among teachers from 80 percent to almost 95 percent since the restructuring took place."

PHOTO: ©TOM SOBOLIK—BLACK STAR

Students are encouraged to choose—*with their parents' help—the junior high school they prefer to attend in New York City's East Harlem. Many of the schools are organized around a theme such as computer science or the performing arts.*

Educational improvements in District 4 also are impressive. In 1978, four years after the choice program had been started, only 27.3 percent of the students read at or above grade level. In 1989, about 41.5 percent were at or above grade level, according to a study by Raymond J. Domanico, director of the Center for Educational Innovation, a New York City research group that promotes public-school choice.

In addition, attendance has gone from 70 percent to almost 92 percent throughout the district, says Falco.

A great deal of planning, resources, and execution went into establishing the choice program for the district's 24 junior high schools, says Falco. Choice is one

element of a larger restructuring effort that was undertaken over a 10-year period, he says. "We restructured each school environment. There are definite changes that have to be made in the system to meet the needs of kids." Each school was developed over a six-month to one-year period.

A number of reformers say choice alone will not necessarily improve an existing system. To be effective, choice must be part of an overall restructuring strategy. Says Falco: "Choice and restructuring go hand in hand."

Virginia: Working With Technology

Another example of how school reform is working successfully is Thomas Jefferson High School for Science and Technology.

Located just outside the nation's capital in the suburban greenery of Northern Virginia's affluent Fairfax County, Jefferson was launched in 1985 when the county converted the existing Thomas Jefferson High School into a regional science and technology magnet school. Although the county had been moving on its own toward establishing a magnet school, it was prodding from local high-technology firms that got Jefferson off the ground, says Geoffrey Jones, the school's principal. The companies, he says, were especially concerned about potential shortages of qualified scientists, engineers, and computer personnel.

Since Jefferson opened six years ago, business has contributed a total of $5.5 million. Of that amount, one-fourth has been cash, and the rest has been equipment and materials.

Honeywell, TRW, and Martin Marietta are among the contributing companies that have helped establish 11 state-of-the-art laboratories at Jefferson in such fields as biotechnology, optics, computer systems, and robotics.

Thomas Jefferson, according to Principal Jones, is a school with a unique mission. "We are not simply a school where you enrich math and science," he says. "We are working with technology and the ideas and concepts of technology to really restructure math and science education. Business was involved right from the start to determine what a new model of technology education might look like. They were involved in planning committees, in establishing facilities, and selecting materials and equipment."

The four-year program at Jefferson is demanding. For example, all freshman students take a basic biotechnology class in which they learn, among other things, how to extract DNA from bacterial cells. A number of graduating seniors win advanced placement in college. Among the requirements for graduation is a yearlong technology-research project for seniors. Projects have included such sophisticated research as industrial applications of holographic techniques, and complex computer models and simulations.

As part of the education experience, Jefferson conducts a mentorship program in which 80 students work side by side with individuals in industry and government. The school makes efforts to produce well-rounded students: It publishes a literary arts magazine as well as a science journal.

The competition for admission is stiff. Two thousand applicants vie for 400 openings each year. A minimum grade point average and standardized test help the school whittle down the number of applicants to 800. Those students then are asked to assemble an application portfolio that includes essays, teacher recommendations, and a list of activities, especially those undertaken in the science and technology fields.

"To deal with the fairness issue" in filling the 400 slots, says Jones, "80 readers are brought in to review the 800 applications. Each youngster's application is read 15 times."

The school, which has about 1,700 students, also serves as an important educational resource for the Washington metropolitan area. Jefferson offers annual training workshops to 300 to 400 teachers from Washington-area schools. In addition, Jefferson students tutor local elementary and junior-high students, and a summer program lets students from other schools take advantage of Jefferson's special resources.

The results of this large-scale reform effort are impressive. Jones says the school has the most National Merit program semifinalists in the nation. This past school year, 16 Jefferson students placed in the top 300 in the prestigious Westinghouse Science Talent Search, and three placed among the 40 finalists.

Jefferson also has the distinction of being the only high school in the nation with a supercomputer—the first-prize award of a national student competition in computer programming.

These accomplishments in such a short time, says Jones, were possible largely because the school was started with the support of results-oriented business people.

PHOTO: ©STEVE BLOCH—BLACK STAR

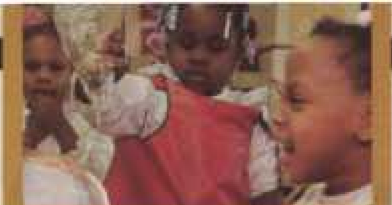
Count on it: *During recess at Davis Elementary in Gresham, Ore., students leap into a math-enrichment program funded partly by the RJR Nabisco Foundation to help improve children's problem-solving skills.*

Oregon: Math During Recess

In addition to helping with major restructuring efforts, business also is providing schools with significant grants and incentives.

The RJR Nabisco Next Century Schools program is one example of such an effort. The RJR Nabisco Foundation has set aside $30 million for a five-year program to promote the development of new educational approaches that can be replicated in public schools throughout the country. The program was begun in 1989 to recognize and reward significant public-school reform in kindergarten through 12th grade.

Recipients of the RJR Nabisco grant include the Davis Elementary School in Gresham, Ore., a suburb of Portland. It is using $250,000 from the foundation to help



fund a new program called "Recess Math."

Developed by Principal Donnise Brown, the program offers hands-on activities designed to improve a child's problem-solving abilities.

Counting money, telling time, graphing, measuring, shape recognition, and strategies for resolving problems are some of the topics students learn in the program.

Offered before school, after school, and during daily recess periods, Recess Math is highly popular with the school's 300 students. When the school established the program, Brown expected about 60 students to participate, but each session draws well over 100 youngsters.

"The teachers make it an interesting and fun time for the children. We don't have them filling out work sheets," Brown says.

The tools that the students use in the program include computers, board games, cubes, cones, and balls, she says, and a major objective of the program is "to extend the amount of time that math is taught during the day."

The results have been encouraging. "We are finding that the children learned more this past school year than they did in previous years. The rate of learning is faster," Brown says.

A parent of a Recess Math student recently wrote the school, saying, "My daughter came home from school ecstatic that she has received her first 100 percent on a math paper—and she even felt it was a hard test."

Advanced Career Training

Rockwell International, based in El Segundo, Calif., is among the many technology-based companies concerned that a possible shortage of up to 700,000 scientists and engineers by the year 2010 will harm the country's ability to compete globally.

Rockwell itself recruits an average of 1,000 science and engineering graduates each year, and the major focus of the company's education-reform effort is math and science, says Mary Lou Kromer, who heads Rockwell's community-relations operation.

The many projects that the aerospace and electronics giant has established to improve education from kindergarten through 12th grade include the Advanced Career Training Program, which offers high-school seniors a head start in the business world.

Working directly with Rockwell employees in a real business environment, students operate sophisticated equipment and learn basic and high-technology skills from specialists in such fields as photography, computer-aided design, and metallurgy.

"The ACT program involves schools with predominantly minority students who may not be motivated to finish high

Business Support Is Critical

David T. Kearns is deputy secretary of education. Before joining the U.S. Department of Education last spring, he was chairman of the Xerox Corp., in Stamford, Conn. In 1988, Kearns was co-author, with Dennis Doyle, of a book titled *Winning The Brain Race*.

Recently, *Nation's Business* interviewed Kearns about the role of business in education reform.

Given your corporate background and your appointment to the Department of Education, what message do you think the Bush administration is sending business people about business involvement in public education?

The message is that business support is critical to systemic and restructuring change and that business people in every community should be engaged and involved. I think businesses are really getting energized by this. The message is that it is absolutely critical for business to be involved in education.

What can business people do to help foster education reform?

Business should support the educators and the politicians that are pushing for systematic and structural reform. I believe this is the No. 1 thing business can do—support those individuals who are for real change, not people playing around the edges.

Secondly, it is very important for business to play an interactive role with the educators so that on an ongoing basis the educators understand what business requires in the workplace.

Thirdly, reform is going to get done community by community, school by school. For a community to be designated an "America 2000" community, it must adopt President Bush's six education goals and develop a strategy to carry them out. That is where business will play a critical role.

Lastly, business must agree to create a new learning environment and new American schools. A coalition has to be formed. I think the chambers of commerce can play a role in bringing together the business community, the educators, and the politicians.

We talk about pushing on the one hand but supporting on the other. I think that is a fine line to walk because if there isn't some pressure on the system, I know that it won't change. I think business can bring pressure. But at the same time that we bring pressure, particularly at the community level, we can work together.

What about legislative change and the role of business?

Business people individually are somewhat uncomfortable in the political arena. There is no question that as we go for real systemic and restructured change that there is going to have to be legislative change.

I think business has got to play a more overt, political role in getting the legislative changes that are required in some states, probably most states. That is an uncomfortable role for business, but I really think that they are going to have to get involved in that as well.

David T. Kearns, *deputy secretary of education, says "business support is critical" for restructuring education.*

How do smaller companies fit into the president's education strategy?

You start with business leadership. Every business can be a part of a strategy group that is put together at the community level. Often you find in the community that the local business person who runs the insurance agency with just 15 employees is one of the most highly regarded and respected individuals in that community and can be a driver of change.

THE 1992 R

It takes an extraordinary automobile to compete in today's crowded luxury car field. But then, the name Roadmaster has always signified something truly special. That is why Buick's all-new Roadmaster is built to exceed even your highest expectations.

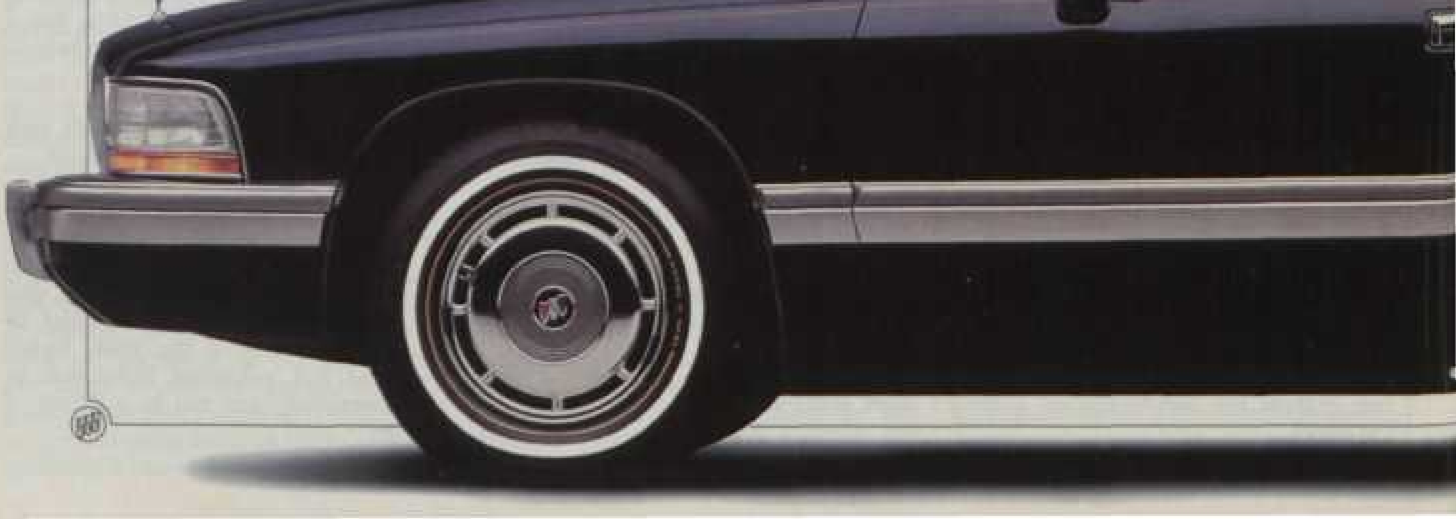
It Took More Than V8 Power, Room For Six, An Air Bag, Anti-Lock Brakes And Full-Frame Construction To Make This The Best Value In Its Class.

A 5.7-litre V8 engine gives you the power to master the road.

Roadmaster offers the luxury of Ultra Soft leather in the seating areas.

You want comfort; Roadmaster gives it to you in the form of a spacious, well-appointed, six-passenger cabin.

You demand power; the rear-wheel-drive Roadmaster delivers it in the form of a 5.7-litre (350-cubic-inch) V8 engine. Yet for all its power, the EPA estimate is 25 miles per gallon on the highway.



school," says Kromer. "It gives them an opportunity to see the value of learning by applying their skills in the work force."

Another Rockwell program helps meet the pressing national goal of increasing the number of math and science teachers in U.S. classrooms.

The company's teacher-training partnership enables company retirees with skills in those areas to pursue new careers as educators. An accelerated, one-year teacher-certification program enables the former employees to enter classrooms as math and science instructors.

Technology Scholars

Tandy Corp. of Fort Worth, Texas, has undertaken a major education initiative in mathematics, science, and computer science. The computer corporation's Technology Scholars Program annually recognizes 100 top math, science, or computer-science high-school teachers as well as 100 of the top high-school students in these fields.

The program is administered by Texas Christian University under guidelines set by a panel of national experts.

Individual high schools nominate teachers and students. Each teacher who is recognized receives a stipend of $2,500, and a $1,000 cash scholarship is set aside for each student chosen.

Every year, Tandy also honors the top 2 percent of high-school students with certificates of recognition for their academic performance in the ninth, 10th, and 11th grades.

Lehigh Valley Partnership

In addition to his role as head of the U.S. Chamber's education center, Edward Donley was the major force behind the creation of The Lehigh Valley Business-Education Partnership in southeastern Pennsylvania.

Donley gained insights into the education needs—and shortcomings—of the area from the vantage point of long service as an executive of Air Products and Chemicals, Inc., an international company based in Allentown, Pa. He was its chairman and chief executive officer for many years and is now chairman of the executive committee.

In the Lehigh Valley program, 20 school superintendents, 25 chief executive officers, and the presidents of 10 local colleges and universities participate. Chambers of commerce in three communities—Allentown, Bethlehem, and Easton—play a leading role.

Seven task forces established by the partnership have recommended improvements in specific areas, including the basic learning environment. The task force on that subject has proposed that "strategies used for gifted students, such as an emphasis on higher-order thinking and reasoning skills, should be expanded to all students, and that training in problem solving, critical thinking, and the basics of technological literacy should be part of the fundamental learning goals in every school."

Donley says that the partnership will now decide on projects to be undertaken based on the task force recommendations.

PHOTO: T. MICHAEL KEZA

A tool for testing *an automobile's aerodynamics is put to the test itself by junior-high students in Dalton, Ga.*

In pursuing such areas as the basic learning environment, the Lehigh Valley project reflects the business awareness in communities across the country that school reform must go to the heart of the education structure, first identifying fundamental problems, then crafting solutions, and, finally, determining how those solutions can be implemented most effectively.

With the determination to take those steps now extending from the smallest communities to the White House, business is increasingly optimistic that the quality-education movement has passed the point of no return.

That optimism is summed up by Rockwell's Mary Lou Kromer, who comments on the role of business in education reform today:

"There is so much momentum right now. If educators get a clear picture of what it is they need to produce, and we help them gain the tools and the skills to deliver, then the how-to will come easy." NB

For More Information

The Center For Workforce Preparation and Quality Education, an affiliate of the U.S. Chamber of Commerce, was established to mobilize a national grass-roots education-reform movement. It offers publications and resources to help business people get involved in local reform efforts. For more information, write to Robert Martin at the Center at 1615 H Street, N.W., Washington, D.C. 20062; or call (202) 463-5525.

Improving the Business of Education, a 14-page pamphlet published by the Center, lists seven steps for mobilizing education reform in communities. Single copies are $10 and can be ordered from the Center. Bulk rates are available.

America 2000: An Education Strategy, President Bush's long-range plan to move every U.S. community toward the nation's education goals. For more information, contact the U.S. Department of Education at 1-800-USA-LEARN.

To order reprints of this article, see Page 69.

Small-Business Computing

Office on the go; upgrading hardware and DOS; feeling better about Windows; office when you're gone.

By Albert G. Holzinger

COMMUNICATIONS

First The Portable Computer, Now The 16-Pound Traveling Office

Several manufacturers have entered the rapidly growing portable-office market with small, lightweight, high-tech packages containing everything most people have on their desktops except photos of the family. One of these so-called mobile workstations that we recommend is the Modular Portable Office by **Computer Masters** (213/645-6530).

The Modular Portable Office *by Computer Masters packs a PC, printer, fax, and more into one bag.*

The Modular Portable Office includes a remarkably large amount of equipment—all of it high quality—for the remarkably low list price of $5,695. Among the tools in the Computer Masters' "office" is a 20Mhz 386SX notebook PC, the highly regarded Canon BubbleJet portable printer, a fax modem, an image and document scanner, a cellular telephone, and a digital camera. The office weighs only 16 pounds, including its attractive carrying bag.

The digital camera is an autofocus unit capable of taking and storing up to 32 "pictures." These images then can be transferred to the notebook PC, where they can be edited and incorporated into documents. This process should be a timesaver for real-estate agents and insurance adjusters, as well as other business people.

The Computer Masters' office contains an NEC P200 cellular phone, complete with 40-number memory and an interface that allows data stored on the PC to be sent to another modem or a fax machine.

And, while on the subject of cellular phones, it is worth noting that they seem well on their way to becoming an everyday small-business tool despite their hefty connect-time charges.

Some of this popularity is attributable to rapidly declining price tags on the phones themselves: It is now possible to get a full-featured cellular phone for a fraction of what comparable systems cost only a year or so ago. In view of these declining prices, if you are thinking of buying a portable phone, you may want to buy a top-of the-line model.

One standout is the tiny Pocket Commander by **Fujitsu** (214/690-6000), which measures only 5.3 by 2.4 by 1.3 inches and weighs only 10.3 ounces with the Fujitsu Ultra-Light battery installed. The Pocket Commander contains myriad features, including 0.6 watts of power, a 100-number memory, one-touch last-number redial, voice and ring volume controls, a single and accumulated call timer, a battery-level monitor, an audible low-battery alarm, and Dual NAM. Dual NAM allows the Pocket Commander to be registered as a "local" phone in two different cellular calling areas.

The standard Pocket Commander package includes the phone, a desk charger, and an Extra Talk-Time battery that provides up to 80 minutes of talk time or 13 hours of standby operation. List price is $1,195, but the package is available from mail-order discount houses for nearly half that price.

Options include a vehicle adapter with hands-free microphone and speaker, a 3-watt power booster, a rapid charger, and the Ultra-Light battery.

Another clear winner is the DPC500 from **Motorola** (1-800-331-6456), a full-featured portable cellular telephone that measures only 15.8 cubic inches and weighs just 12.3 ounces. Features of the DPC500 match those of the Pocket Commander and in some cases exceed them. The standard battery provides 75 minutes of continuous talk time; a smaller 30-minute battery is optional.

Base list price is $1,195, with discounts available by mail.

The brand-new Microtac Lite Personal Communicator from Motorola sports features of the DPC500 in an even smaller package—11.6 cubic inches and 7.7 ounces.

Its base list price is about $1,000, but it may not be available from the discounters for a while.

—Jon Pepper

Prices are coming down *on cellular phones, making them a widely used business tool. Top: the DPC500 by Motorola. Above: Pocket Commander by Fujitsu.*

HARDWARE

Now, You Can Get SatisFAXtion

Products that enable PCs to double as fax machines have not been as popular as you might expect. Many of the products are tricky to install and configure to the host computer's hardware and software; others are something of a pain to operate. Still, a PC-based fax may be the right product for those who send faxes to multiple recipients or need incoming faxes of higher quality than a stand-alone thermal-paper machine can provide.

If hassle-free installation backed by first-rate telephone technical support and simple, user-friendly operation mean more to you than price, then take a look at the SatisFAXtion fax/modem from **Intel**. You can buy products similar to the $499 (list price) SatisFAXtion at half the price, but you won't find one that provides as much satisfaction at any price.

For example, soon after installing the SatisFAXtion board—it took less than 15 minutes—I tried without success to use its 2,400-baud modem feature to connect with the CompuServe on-line information service. I called Intel's customer-support service, fully expecting the technician to advise me that I had a software conflict that would have to be resolved by the CompuServe support staff. To my delight, the Intel representative volunteered to reconcile the problem with a counterpart at CompuServe, and he called me with the software fix in less than an hour.

Intel recently released a companion high-resolution scanner, list price $399. This nifty device, which plugs into a port on the SatisFAXtion fax/modem, accepts images or text up to 4.1 inches by 20 inches in resolutions of 100 to 400 dots per inch.

Accompanying software allows easy manipulation of images.

Even at full list price—and discounts are available from many retail and mail-order outlets—this package is well worth consideration by many business owners. To find a dealer who can give you a demonstration, call 1-800-538-3373.

—Albert G. Holzinger

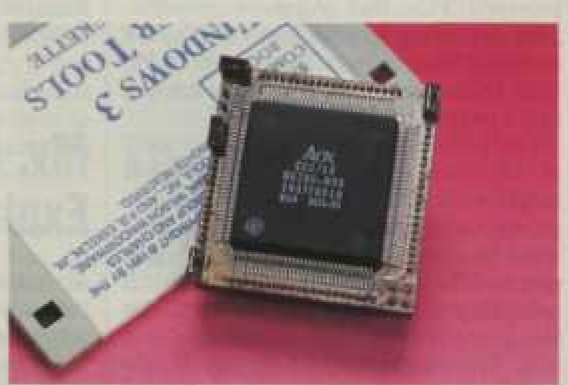
Aox Can Help PCs That Don't StaX Up

In our April cover story, "Upgrade For Growth," we found a way to replace your PC AT microprocessor with a faster 386SX processor, which can run up to three times faster and cope with today's most demanding software, such as Windows 3.0 from Microsoft. We recently did the change using StaX from **Aox, Inc.**, of Waltham, Mass. The effort produced some of the proverbial good news and bad news.

In the latter category, our attempt to install the StaX on a machine not on Aox's approved list produced a computer in need of a costly new motherboard (the machine's main board).

Good news came with the successful installation of the StaX on a second, approved machine—and there are more than a dozen such machines, including most of the biggest brand names.

Don't be misled: Replacing the very heart of your computer is not a task for the fainthearted. You may have to remove the hard-disk controller or other components of your PC to gain access to the processing chip. Still, if you can change the oil on your car, you probably can install the StaX.



Want to have *a 386SX? Replace your 286 with the AOX StaX chip.*

The 16Mhz version costs $279; the faster 20Mhz version, $329. To see if your machine can accommodate the StaX and to order, call 1-800-726-0269.

OPERATING SYSTEMS

A Little Less DOS Frees More Memory

Chances are that over the past several months you've heard that Microsoft has issued a new release of its ubiquitous operating system for IBM and compatible computers. You may also have heard that the upgrade is worth its $99.95 list price. We agree. We're running the new product, MS-DOS 5.0, on several PCs of varying power—from ATs to 386SXs to full-scale 386s—and we endorse the upgrade for several reasons:

■ Added Memory. Without doubt, the overwhelming reason to upgrade involves memory. A little background: Ten years ago, when Microsoft and IBM collaborated in setting the PC standards that would be adopted almost universally, they decided that DOS should address only 640K of main memory. At the time, that seemed more than anyone would ever need in a desktop machine. As anyone running today's muscle-bound programs can attest, however, 640K most definitely is not enough. DOS 5.0 still is constrained by that memory limit, but the program can free more of the 640K for applications software by loading most of itself, memory-resident programs, and mouse, network, and other device drivers into 32K of so-called high memory. Memory savings vary by machine, but they can be more than 45K.

■ End To EDLIN. Under earlier DOS versions, entering or editing simple files could be accomplished only by employing the cryptic and unforgiving EDLIN command. DOS 5.0 changes that by incorporating an easy-to-use text editor.

■ Help On Demand. Extensive on-line help is available at any time.

■ Easy Set-Up, Great Manual. In all but one instance—and that was because of a hardware incompatibility—installing DOS 5.0 went smoothly and quickly, the result of Microsoft's more than 7,000 prerelease test sites worldwide. The bulky but clearly written manual was a pleasure to read.

Undertaking this exercise will increase vastly your knowledge of your PC's inner secrets, including the differences among conventional, high, expanded, and extended memory.

A warning, however: Installing DOS 5.0 is one thing, and taking full advantage of its memory-management and other features is another. Although the upgrade is likely to take only 15 or so minutes, budget several hours to reading the documentation and experimenting with your "config.sys" and "autoexec.bat" files.

And one other warning: Older programs, particularly disk-management, may not work with DOS 5.0.

A Compelling Reason For Doing Windows

We at *Nation's Business* have been hard pressed to recommend to longtime DOS users a switch to the Windows 3.0 graphical operating environment, but such a recommendation could be forthcoming soon.

We had been reluctant because such a switch would likely entail junking lots of software written to run under DOS, and it could mean upgrading or dumping existing hardware in favor of the new, more powerful PCs that Windows requires. (You can scrape by with less, but it's best to run Windows on at least a 386SX PC with 4Mb of RAM, a color VGA monitor, and a mouse.)

Our second thoughts came in the wake of Microsoft's announcement late last month of three new Windows-based programs for the home and small-business markets. These tightly integrated programs offer small-business people such versatility that they might be worth the trouble and expense of a change. The first is a Windows release of Works, Microsoft's widely acclaimed integrated word processing, database, and spreadsheet program. The second is Money, an accounting program. And finally there's Publisher, a document-production program.

Nation's Business has obtained prerelease (Beta) versions of these programs, which are scheduled for shipment by year-end at a total price of less than $500. At first look, the three provide almost all of the data-processing power a very small business might need. And they take advantage of Windows' knack for sharing and exchanging data among different applications.

We'll have more to say about this software, which makes up the Microsoft Solution Series, as we gain more experience with it.

—Albert G. Holzinger

My, My! A Bit More Explanation, Please

MySoftware Co., of Menlo Park, Calif., has a software series it advertises as inexpensive, easy to use, with no manual to speak of, and capable of being learned in five minutes. MyCheckbook is $39.95, MyBackup, $24.95.

There are also programs in the series for labels, invoices, mailing lists, phone lists, personal checkbooks, and a program for tracking accounts receivable. The advertisements claim that all of them do "one simple task incredibly well," and have enough in common that "learn one, know them all"—and all the programs start with the rather cutesy "My."

This bare-bones approach is great if you don't need any real help. If you do, there is a support line, but you have to pay for the time. The call is to California and, depending on where you live, can eventually cost more than the program itself. You may, in fact, find these bare-bones programs as intimidating as the ones with huge manuals if, for example, one of them locks up.

On the other hand, you won't have a lot invested in them, so you can try them out, and if you don't like them, then throw them out and figure you're not out much in the way of time or money. If they work for you, then you have a real bargain. But if you want something with real power, you'll want to go with an accounting, bookkeeping, or other more advanced program.

For simple tasks such as mailing lists, however, this series may be just the ticket.

Add A Legal Partner To Your Business

From time to time, we've written about software capable of providing limited legal guidance and an array of legally binding documents. As we've noted, all are good—as far as they go.

Recently we acquired a package that goes much farther than most, Legal Partner by **CommonTouch, Inc.**, of Newton, Mass. (1-800-762-6789).

Unlike the other packages, which were written mostly for personal use, Legal Partner is almost strictly for business. It provides about 150 documents binding everywhere except in Louisiana (which has a unique legal code) for firms of all sizes. These documents range from simple promissory notes and powers of attorney to noncompetition agreements and corporate minutes.

Of special interest may be personnel-related documents including agent, representation, sales and executive employment, and termination agreements.

Legal Partner comes with clear, concise documentation and is a snap to install and run. It is currently available only from CommonTouch for $99.95.

Remote Control Software: It Lets You Operate Two Computers At One Time

What can you do when you are at one computer and the program or files you need reside on the hard disk of a PC elsewhere? Not much except mutter, unless you own one of a handful of remote-control programs.

This software and a modem can be installed on all of the desktop and portable computers you might someday need to use. The program resides invisibly in the background and the modem rests idly until you need them. When that need arises, you pop up the software with a predetermined keystroke. After a few additional keystrokes, the software calls the remote PC of your choice. When the connection is made, you can access fully via keyboard or mouse all the programs and files on either PC.

We recently tested CO/Session Version 5.0 from **Triton Technologies, Inc.**, of Middlesex, N.J. (908/855-9440). We chose it because several technical publications rated it the fastest and least demanding (5K) of precious computer memory.

Unlike other remote-control software we had evaluated a couple of years ago, CO/Session all but installed and configured itself. In our tests it connected and ran flawlessly the first time and every time.

Of course, the speed that programs run or that files are altered or transferred is limited by modem speed. Nevertheless, CO/Session seemed to get the most out of the modems involved, as data flowed substantially faster than with the program we had been running.

You may not need to use CO/Session often—but when you do, it could be a lifesaver. List price for a two-PC program is $195; the street price is about $50 less.

A Few Numbers

We inadvertently omitted two phone numbers from our last Small-Business Computing column. The number for Grapevine Press, publishers of "A Little DOS Will Do You," is 1-800-338-4331. For Upsonic, the maker of uninterruptible power supplies (UPS): 1-800-877-6642. FYI, Upsonic has just released a UPS for fax machines. NB

CHILD SUPPORT

Dragging Employers Into Child Support

Federal law requires employers to withhold child support from wages. This update on the law can help you comply.

By Jean Sensel and Diane MacDonald

The statistics are alarming: Half the children born today will live in a single-parent family (usually with the mother) before reaching age 18. Of children now entitled to support by court order, 25 percent receive only part of it; another 25 percent receive none. On average, children's standard of living declines more than two-thirds in the first year following a divorce, often casting them onto the public welfare system.

Congress passed the Family Support Act in 1988. Its object was to force parents to pay the child support they owed, to improve conditions for the children, and to relieve the welfare burden. The weapon of choice is the automatic wage deduction by employers.

In effect, the law makes employers responsible for their employees' child-support obligations. The penalties for noncompliance are severe—in some cases, the employer may become liable for the full amount of the claim against an employee plus interest, costs, and penalties.

The Family Support Act requires each state to establish standard award guidelines and make child-support payment as certain as tax payment through automatic wage deduction. All states must employ withholding for all new or revised orders processed through the state's office of support enforcement. By 1994, automatic wage withholding must be used for all support orders. Currently, in all states an employer may receive a wage garnishment order for child support in arrears.

The interplay of federal and state laws and the calculations the employer is required to make are complex. And the highly charged emotional issues of divorce and family can intrude into the normal operation of the workplace.

In one case, an employer in Seattle was startled by an anguished cry from a usually tough, competent employee: "My husband's ex-wife says she's garnishing half my wages! She can't do that, can she?" This employee—call her Janie—had never before raised personal subjects at work or displayed vulnerability.

Generally, a spouse's wages cannot be attached for the other spouse's child-support obligation. But it happens, and Janie's employer is legally obligated to withhold by the terms of an order, even when the order is in error, as Janie claimed.

Janie's employer was sympathetic and advised her to see an attorney; Janie said she could not afford one.

Before long, stress from the support issue affected her job performance. Janie became short-tempered and curt with customers, and her absenteeism skyrocketed. Janie's employer discharged her the fourth time she failed to show for work without calling in. The discharge was for poor performance, but it was clearly related to anxiety over the child-support problem.

Federal law prohibits discharge for child-support withholding, garnishment, or threatened garnishment, so a sympathetic court may construe Janie's severance as unlawful. If found guilty, her employer could face his state's penalty of \$2,500 in fines and liability for double lost wages and other damages.

Suppose an employer wants to be sympathetic? In another case, Dan, an employer at a construction company in Tacoma, Wash., was a friend to his employee Jim, and he thought Jim was treated unfairly in the divorce settlement. Dan thought he'd help Jim by ignoring the child-support garnishment. First, he claimed that he did not receive it, and then he said he "misread" the language of a second order. The support amount was greater than 50 percent of Jim's disposable income, so Dan deducted nothing at all instead of deducting up to the 50 percent limit. Refusing to withhold did not eliminate Jim's support obligation or Dan's responsibility for these months.

In the end, Dan had to put his legal obligations before friendship when the state pointed out that his noncompliance made him liable for the \$8,000 in back support that had accumulated since the order was mailed to him—plus interest, collection costs, and penalties. Dan faced court action, with court costs and attorney fees added to his other liability, if he did not comply immediately.

The lessons are: Do not ignore an order to withhold child support, and do not ignore your employee's stress. The only way to avoid legal and emotional entanglements is to have a plan of action. (See the box on Page 36.)

The following are general provisions of law that employers need to know. Check with your local child-support enforcement agency or attorney for specific situations.

Restrictions on hiring. Federal law prohibits job discrimination based on automatic child-support withholding. Employers may open themselves to state and federal penalties if an applicant claims discrimination based on pre-employment inquiries about child-support obligations. Employers should document their reasons for selecting one job applicant over another. An increase in payroll costs due to child-support withholding is not a valid reason for rejecting an applicant.

Restrictions on firing: Although some states allow discipline or discharge for

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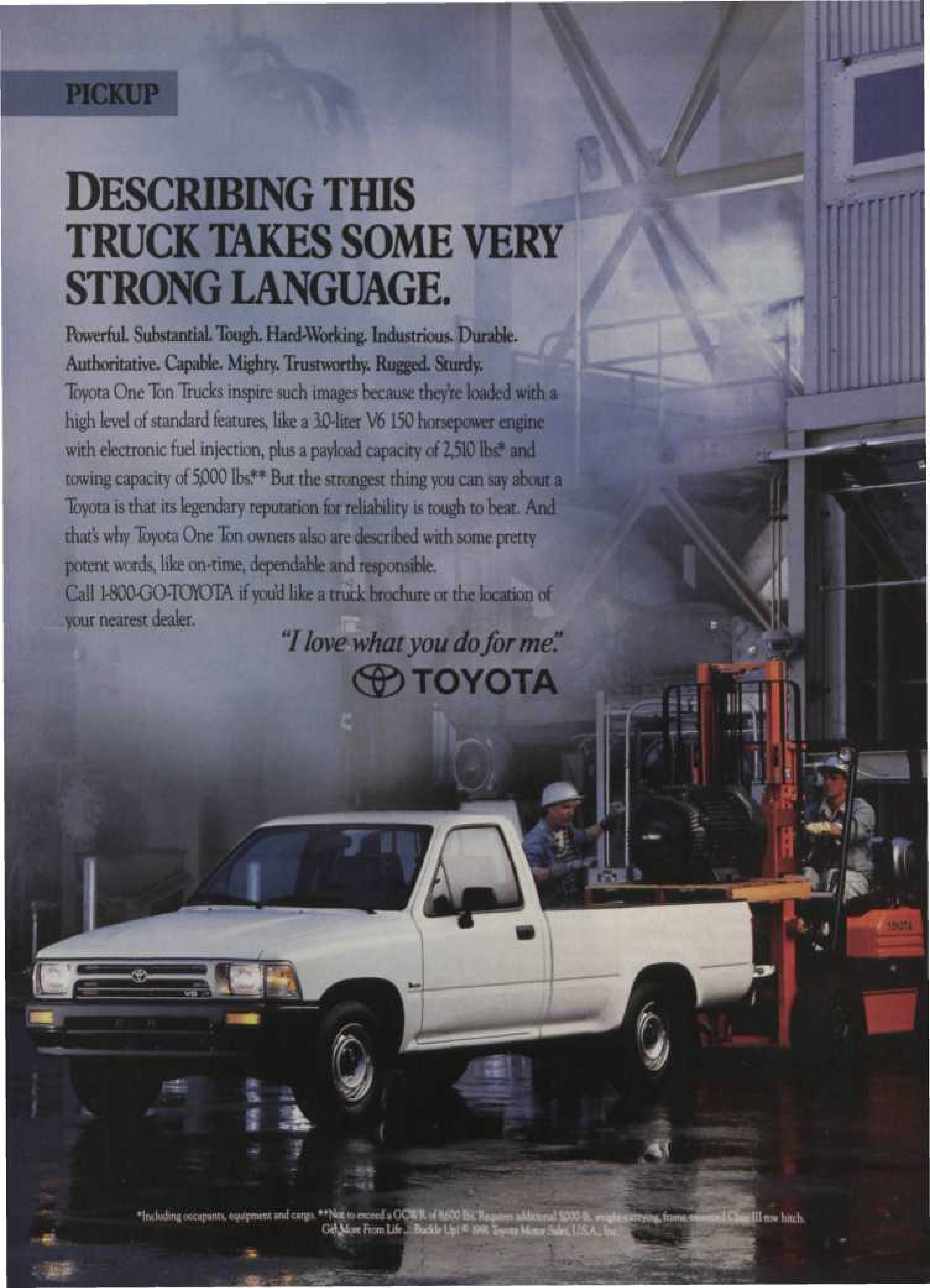
Jean Sensel is a free-lance writer in Spanaway, Wash. Diane MacDonald is a Renton, Wash., attorney specializing in business law.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multiple garnishments, child-support withholding does not count. Penalties for violation range from the high of $5,000 imposed on an employer in Maine to a provision for an employee to sue for double lost wages in Minnesota.

Handling a withholding order for a former employee: Federal law requires that employers provide in writing the employee's last known address and new employer's name and address, if known. Employers must also keep the order on file and honor its provisions if the employee returns to work.

Notifying the employee of a withholding order: Notification is not required, but it is sound practice. Forestall unpleasant payday surprises with a letter advising the employee of the date of receipt of the notice, the date withholding begins, the amount to be withheld, and a reminder that the employer must comply with the order.

Helping the employee who insists a withholding order is incorrect: Refer the employee to the local support-enforcement office. The employer must comply with the child-support withholding order as written until directed otherwise by the issuing agency or the court.

Handling an order for an employee with other garnishments: Child-support claims take precedence over all other claims except taxes. If the total amount to be withheld exceeds certain limits, contact the state support-enforcement agency for guidance. In some states, all nonsupport garnishments are ineffective, and the employer is responsible for informing other debtors when their garnishment cannot be honored immediately or as written.

Processing more than one order for one employee: Nearly all states require multiple child-support garnishments to be given in pro-rata shares, with current support having priority over past-due support. If the total amount exceeds the limit that state and federal laws apply to exempt a portion of the employee's wages or if out-of-state orders are involved, ask the local support office for guidance.

Handling an order issued by another state: A single-state employer may have no legal obligation to comply with an out-of-state order unless the order was processed through the employer's state agency. For the multistate employer, an order delivered to the employer's representative in the issuing state, applicable to an employee working in another state, binds the employer to the issuing state's laws. Consult an attorney or your local enforcement office.

Initiating withholding after receiving an order: Mark the date received on the notice, and retain the envelope with its postmark in case timely compliance becomes an issue. Federal law specifies that withholding begin no later than the first pay period occurring 14 days after the *mailing date* of the notice. Most states require 14 days after *receipt* of notice. A state requirement for an earlier date overrides federal law.

Delivering the withheld child support: The wage-withholding order will give instructions on when and where to send the support. Nearly all states follow the federal guideline of delivery within 10 days, and most states channel the funds through an enforcement agency.

Remitting withheld support for more than one employee: The employer may combine deductions for each pay period for several employees into one check for each withholding agency. Itemize the amount and date withheld for each employee, with order reference numbers and employee tax ID numbers.

Planning Makes The Best Policy

Automatic child-support wage withholding draws the employer into a personal issue in which emotions run high. Policy guidelines such as these can help:

- Know the provisions of law for child-support wage withholding in your state. Generally, the standards—whether state or federal—that are more protective for the employee supersede those that are less protective.
- Establish a standard procedure for processing child-support withholding and garnishment orders, and apply it consistently.
- Include confidentiality guidelines.
- Provide information and training for all appropriate personnel, such as the payroll coordinator, not merely on the law and compliance procedures but also on company policy for handling distressed employees.
- Have available for affected employees written information on the child-support wage withholding law as it is applied within the state and on the employer's obligation to respond under the law.
- Inform an employee promptly when a child-support withholding order is received.
- Offer referral to employee-assistance programs or relevant outside agencies, including counseling and credit-assistance bureaus.

Stopping child-support withholding: The employer may stop child-support withholding only upon order of the state's child-support enforcement agency or the court. An employer must inform the appropriate agency if an employee subject to wage withholding leaves. The employer must resume withholding immediately upon an employee's rehire.

Calculating the employee's income exempt from withholding: The federal Consumer Credit Protection Act sets the maximum percentage of "disposable earnings" that can be withheld for garnishment. Disposable earnings are the portion left after the amounts the law requires to be deducted are withheld. States define earnings, net income, and disposable income differently, and their definitions override those of the federal government up to the maximum it established. The employer is responsible for ensuring that compliance does not violate the employee's rights. Contact the court or agency issuing the order if it does.

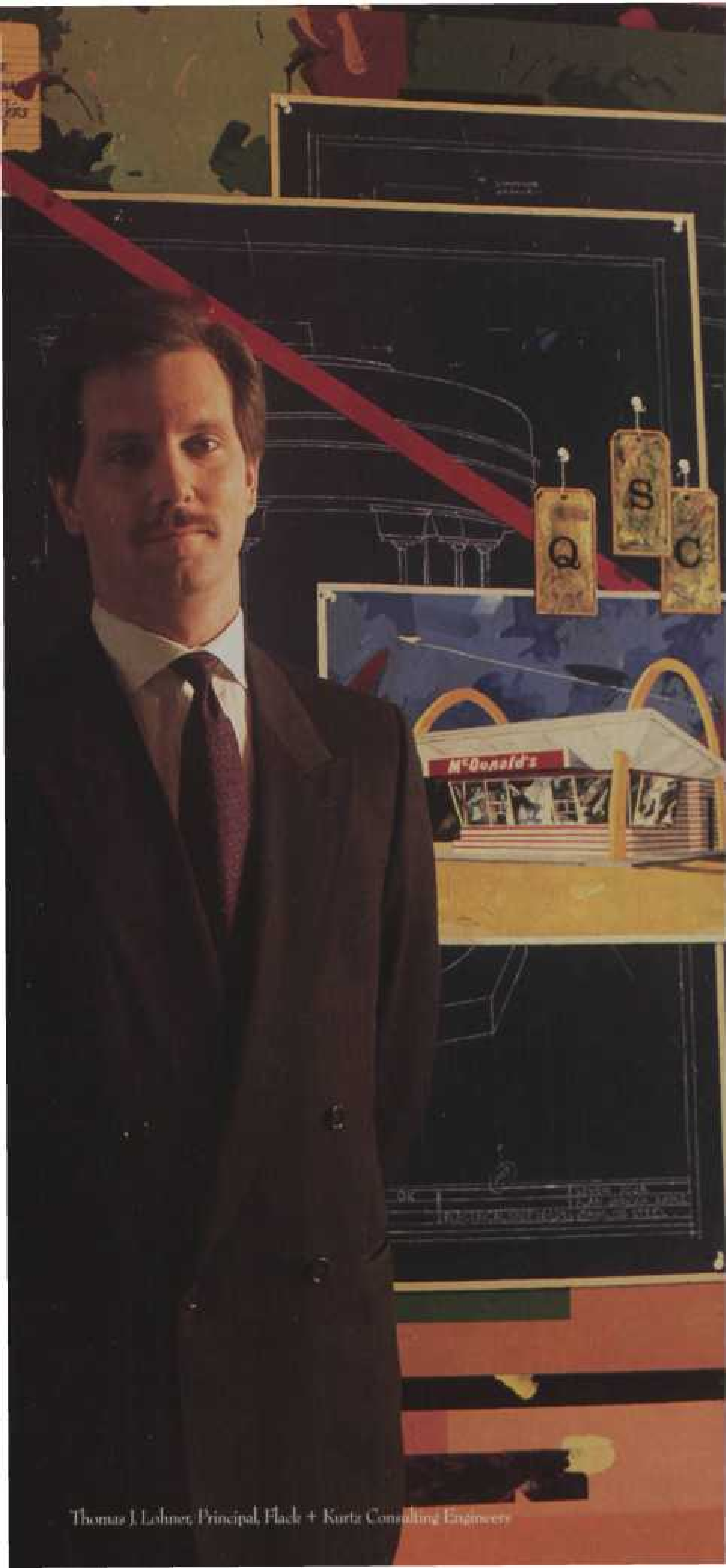
Covering the costs of compliance: Employers may deduct a processing fee from the employee's pay when it is permitted under state law. The fee must be taken from the employee's remaining wages, not from the support amount. Although a small initial fee plus $1 per pay period is most common, allowable administrative fees range from 50 cents each pay period in Michigan to $6 per pay period in Missouri.

Enrolling the employee's dependents in the company's medical plan: In some states, enrollment is required if dependent coverage is part of the existing health-care plan. If medical coverage costs to the employee exceed the limits of child support, then the employer should consult the state.

Some employers say that employees may be more productive under automatic withholding, suffering less stress and missing less work time for court appearances and health problems.

On the other hand, the employees who know they will keep less than half their wages may have less incentive to be productive. "Too many of the employees that we receive garnishment orders for just leave, rather than have any of their wages taken," says the payroll administrator of one firm in Tacoma, Wash.

Despite the administrative headaches and increased payroll accounting costs, and despite potential legal and financial liability, virtually all employers contacted in an informal survey supported automatic wage deduction for child support, if this succeeds in reducing poverty and welfare expenditures. NB



Thomas J. Lohner, Principal, Flack + Kurtz Consulting Engineers

How top-of-the-line teamwork can improve the bottom line.

When the team of Lohan Associates, architects, and Flack + Kurtz, consulting engineers, were looking for the most efficient heating and cooling system to install in McDonald's new 310,000-square-foot office complex, they turned to Northern Illinois Gas for assistance.

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According to Tom Lohner, principal, Flack + Kurtz, "Since providing a quality project is our firm's trademark, we're pleased the 1,045-ton gas-fired chiller/heater system that was installed provides the quality, service and value that McDonald's expects." This system has in fact saved McDonald's even more in operating costs than originally projected.

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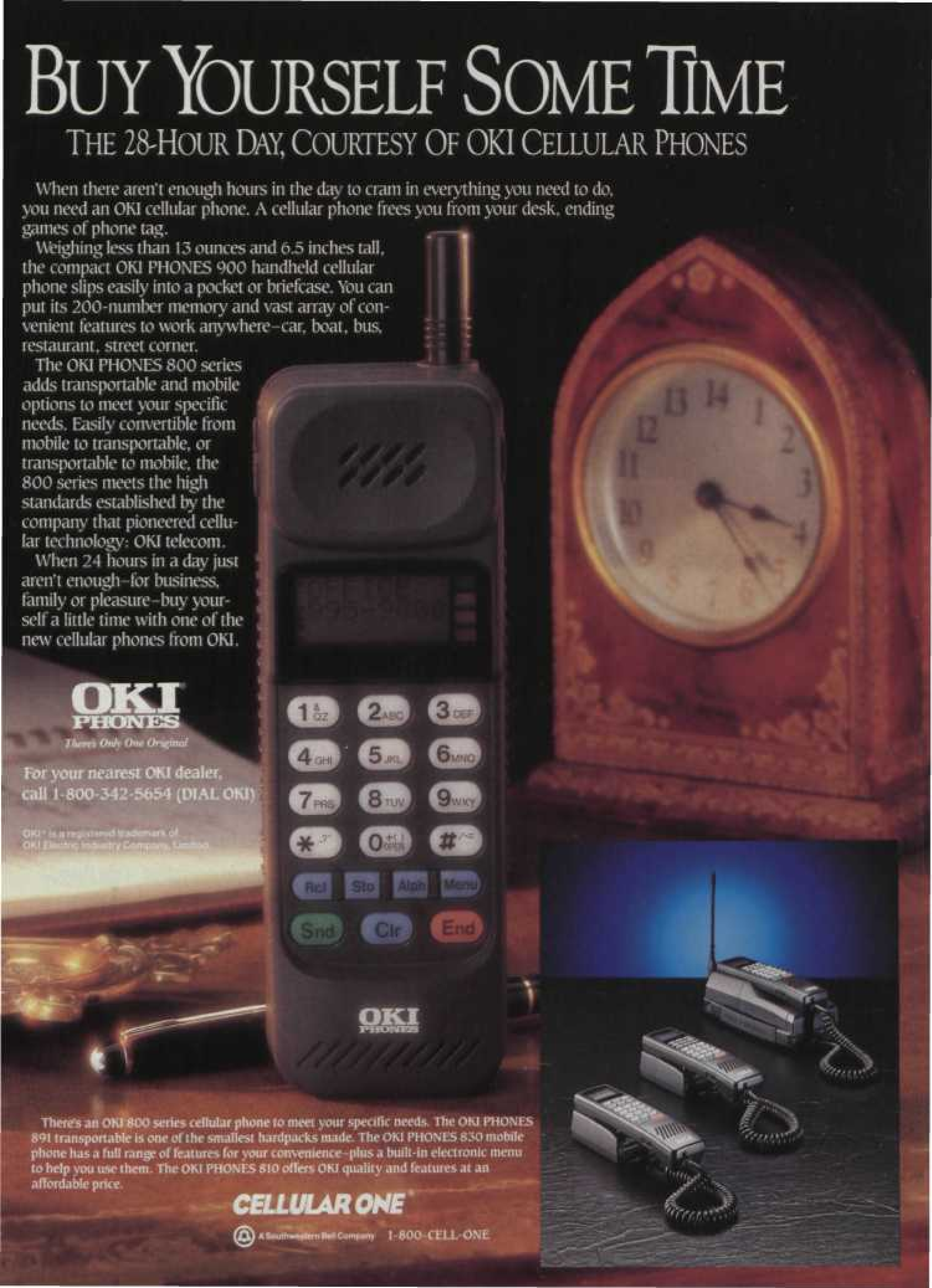
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Family Business

A checklist for deciding whether to join the company; picking a son or daughter to head the firm; a wife who is shut out of the business.

OBSERVATIONS

When You're An In-Law

By Sharon Nelton

If you marry the son or daughter of a family-business owner, one of the toughest issues you may have to face is whether to join the business. Many owners invite, encourage, and sometimes even pressure their children's spouses to come into the company.

But if you're the son-in-law or daughter-in-law, is it wise to accept the invitation or succumb to the pressure?

Family-business expert Mike Henning has come up with a 10-category list of questions to help you decide. Henning worked in his father-in-law's business for 15 years before starting his own company, the Henning Family Business Center, a consulting firm based in Effingham, Ill.

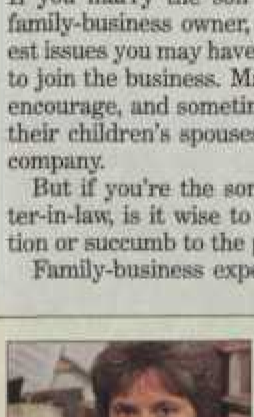


PHOTO: AMANDA BALDRIDGE

One of the toughest issues you may face is whether to join the business.
—Sharon Nelton

As you try to determine whether to join your spouse's family's business, Henning says, you should ask yourself:

1. Would I be in the job I'd be in, with the money I'd be making, if I weren't married to the boss's son or daughter?

2. Will my father-in-law (or mother-in-law) resent it if I choose not to go into the family business? How will my choice affect my marriage and my personal life?

3. Would I be happier—and equally successful—in another career?

4. How well do I get along with brothers-in-law and sisters-in-law? Will they resent my presence in the business?

5. Will my working in the business force my spouse to divide loyalties between the family and me?

6. How much security will I have if my marriage fails? Do I have to stay married in order to keep my position in the company?

7. Would my spouse respect me more if I stayed out of the family business?

8. Is it possible to have a healthy relationship with a father-in-law or mother-in-law who is also my boss?

9. How will my position be perceived by others? Will it look like I married my spouse for a position in the family's business? Will that bother me?

10. Will my father-in-law acknowledge that I am investing the most productive years of my life in his business?

Henning feels that his wife respected him more once he went out on his own three years ago. And when he worked for his father-in-law, he says, friends looked at him as if "maybe I was a little bit of a 'go-fer.' I really wasn't, but it could be viewed that way."

Before you decide, Henning says, seek out others who are in-laws in a family business and talk with them about the problems they have had and how they feel about working for a mother-in-law or father-in-law.

A sign that it might not work out for you is if your spouse's family tends to favor blood relatives in the business. Look five to 15 years down the road, Henning advises, and consider whether you might be squeezed out as your nieces and nephews grow up. You should also assess whether or not the business is growing enough to make room for you.

If the business is run truly like a business, says Henning, then there's a chance it will work out for you. That means that there isn't one set of rules for blood relatives and another for those outside the family. All employees are treated equally.

So be observant. Ask questions. Bounce your concerns off others with experience as in-laws in a family business. And don't bow to pressure. Do what's right for you and your spouse.

PLANNING

Choosing Among Siblings

By John L. Ward and Craig E. Aronoff

The family business is an increasingly attractive career choice for the children of business owners—even when more than one child joins the business. Consequently, more families than ever intend to pass on the leadership of their business to multiple offspring.

Our surveys of business-owning families show that 40 percent to 50 percent will have two or more children inheriting the responsibilities of ownership and management.

The challenges of "passing the baton" (see our July 1990 column) are more difficult when several hands stretch to receive it.

The dilemmas can be agonizing as parents ask: How do we select one of our children to be the next president? Can the others accept our decision as fair? Management lore dictates a single "chief," but can't we be the exception to the norm and share ultimate responsibility among siblings?

Favoring one child over another is resisted by parents—and appropriately so. But business owner/managers need to designate their successors. That often means choosing one child for a job of more status, more pay, and more importance. When several children are in the business, this decision is possibly the most troublesome obstacle to succession planning.

Too many parents want to believe that if they don't face the succession issue, it will somehow solve itself or go away.

Others leave the decision of future leadership to the children themselves—rationalizing that the children should make the call since they have to live with it.

A few fortunate businesses can be divided into separate, roughly equal parts, so that each child can have his or her own business. But if you can't split the business into one per son or daughter, how do you make the leadership succession decision?

Here are some of the successful methods that parents have chosen to deal with the dilemma:

Bite the bullet. When the best choice is clear, we typically recommend that the parents appoint the next leader as early as possible.

For example, when the ability of the first child to enter the business is exceptionally proven before his or her siblings get established, it is usually best to make and communicate the decision.

Perhaps the most prevalent succession process in nonfamily companies is "survival of the fittest." The leading candidates compete to prove themselves most deserving.

While few families relish pitting sibling against sibling, delaying the decision or failing to deal with the issue can produce that result.

ILLUSTRATION: DAVID CHEN

Early selection allows everyone to have plenty of time to adjust to the choice. The parents are available if needed to attend to any disappointments.

Use your board as a forum. A board with outside, nonfamily directors can provide an objective forum to address succession—both how and whom to choose. The board can:

■ Propose job assignments that help develop successor candidates in light of their strengths and weaknesses.

■ Define the most important capabilities of the next chief executive, given the company's future strategic needs.

■ Assess children's performance.

■ Assure everyone—once the decision is made—that the choice of leadership was fair and based on sound business judgment.

This approach to succession is typical in family businesses that have formed effective boards with outside directors. After all, leadership succession is the most important responsibility of the board.

Create a succession task force. The board can be aided in choosing a successor by an ad hoc task force that includes key managers and family shareholders. While the board should assume ultimate responsibility, the task force can anticipate other issues in the succession transition. Since other organizational changes frequently accompany leadership changes, the task force can consider matters such as roles for the departing CEO and how to communicate changes both within the company and outside it.

Get family consensus. The successor evaluation process that the board designs may create an "executive team" of all the family members eligible for succession consideration. The sibling team can jointly assume the leadership of the company. Over time, the "natural leader" of the group will likely emerge—evident to the family, the organization, and the board.

Occasionally, all may agree that the executive team management continue indefinitely.

If interim management by committee doesn't work well or fails to clarify the choice, then the board of directors can step in more actively in the decision-making process.

We believe the best result comes when all next-generation family members achieve clear consensus on the choice through a process overseen and reinforced by an effective board.

Whatever succession process is followed and whatever choice is made, the most vulnerable time for the family business comes during and immediately after transition.

No family-business leader can be successful without the support of his or her co-owning siblings or without their commitment to the company's strategy and leadership.

To assure success as well as succession, siblings must develop into a solid team. The company will be no stronger than the bond among the owners.

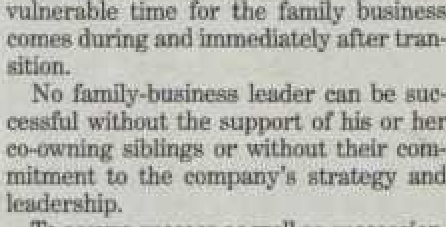


PHOTO: T. MICHAEL KEZA

John L. Ward is the Ralph Marotta Professor of Private Enterprise at Loyola University of Chicago. Craig E. Aronoff holds the Dinos Chair of Private Enterprise at Kennesaw State College in Marietta, Ga. Both are family-business consultants.

Mark Your Calendar

Fall 1991, Georgia

"How To Sell and Value a Small Business," a workshop for family-owned and closely held companies, is being scheduled for various dates at schools and colleges throughout Georgia. For dates and locations, send a self-addressed stamped envelope to—or call—University Seminars, Inc., P.O. Drawer 2379, Blue Ridge, Ga., 30513; (404) 632-3821.

Oct. 3, Burlington, Mass.

"Nothing Succeeds Like Succession," a conference that marks the opening of Northeastern University's Center for Family Business, deals with such topics as who should inherit a company, and creating continuity in a family firm. Contact Marjorie Duffy at (617) 320-8024.

Oct. 8, Newport Beach, Calif.

"Critical Issues Facing Family-Owned Companies," a seminar covering such topics as succession, retirement, health-care cost containment, estate and tax issues, and S corporations. To be repeated Nov. 5 in Ontario, Calif. Call Gerard Muttukumaru or David Grossman at (714) 944-2598, or write to the Southern California Center for Family Business at 3350 Shelby St., Suite 200, Ontario, Calif. 91764.

Nov. 13-15, Cleveland

"Managing Succession Without Conflict" is a seminar on leadership transition in the family business for business owners, spouses, successors, and key managers. The meeting is led by nationally known family-business consultant Léon A. Danco. For more information, call or write the Center for Family Business, 5862 Mayfield Road, P.O. Box 24268, Cleveland, Ohio 44124; (216) 442-0800.

How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062.*

CASE STUDY

On The Outside Looking In

ILLUSTRATION: DAVID CHEN

Roger is the 30-percent owner and second-in-command of a small but successful manufacturing company. He is not, however, a member of the majority-owning family. The trouble is, says his wife, Megan, that Roger spends more time on the problems of the business's family than he does on those of his own family.

Now 52, Roger joined Fastco seven years ago. The owner, Liz, a banker's wife, inherited the business when her father died 20 years ago. She elected to run it instead of selling it. In the early 1980s, wanting to make the business grow, she persuaded Roger to leave a senior position at a large corporation by offering him a free hand and part ownership.

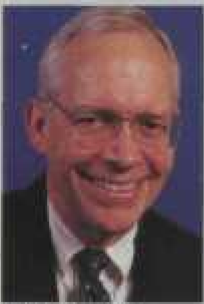
Roger has never been happier, Megan admits. But as the wife of a nonfamily executive in a family firm, "I'm always an outsider," she says. Neither Roger nor Liz keeps her up-to-date on Fastco. Sometimes at social events, employees and customers are surprised at how little she knows about what's going on. Liz's husband, on the other hand, is well-informed.

"It's certainly not that I'm stupid," complains Megan. As the superintendent of a school district, she is used to dealing with business and community leaders.

She also worries for her husband. There's nothing in writing to protect his position at Fastco, and if his employment is terminated, he has to sell back his stock. Liz's son, 35, who is moving up in the business, is clearly not fond of Roger.

"I don't know where I fit in and how I can help my husband," says Megan. "I would hate it if Liz's son would say to Roger, 'You've got this company where it is today, but I'll take it from here.' " But when she approaches Roger with her concerns, he tells her not to worry. Is there anything she can do?

It's A Two-Family Firm



Gerald Le Van, president of Le Van Associates, a family-business consulting firm in Asheville, N.C.:

Pillow-to-pillow is the shortest communications circuit known to humankind. If used, it must be secure. We meet numerous entrepreneurs who consult with their spouses before every important business decision. We know others who don't dare share delicate information because their spouses can't keep it to themselves.

Megan might never knowingly divulge privileged information. But a slight change in her facial expression at the wrong moment can communicate to others that she knows a secret. Perhaps Roger is following an old Central Intelligence Agency principle: Megan can't reveal what she doesn't know. If so, Roger should tell her why he isn't sharing information—that he is protecting himself, Megan, and the company. If he says nothing, Megan may assume he doesn't trust her.

Roger needs and deserves some job security. If he stays on as CEO until age 65, Liz's son must wait until he is 48 to head the company. As both Roger and the son grow older, look for the son to press harder to remove Roger. Roger needs a strong employment contract—now. If Liz refuses, he should explore other opportunities.

A final suggestion: This is really a two-family business, even though Liz holds most of the stock. Some of the trusted one-family business techniques apply equally to this situation. Adding nonfamily members to the board of directors would help to level the playing field and allow Roger's future to be determined on the merits rather than by the ambitions of Liz's son.

A two-family business retreat might be in order. Its agenda should include incisive reviews of operations, finances, and strategies. Spouses would be invited—Megan as well as Liz's husband. The experience would provide the opportunity for Megan to hear company information firsthand, for Roger to express any concerns about its confidentiality, and for Megan to lay aside her feelings of being "left out."

Make Roger Uncomfortable

Marta Vago, a family-business consultant and psychologist whose practice is based in Santa Monica, Calif.:

Megan has a bigger and more urgent problem than being an "outsider." Her problem is how to handle Roger's denial of his precarious position at Fastco.

It is easy to understand why it is to Liz's advantage to keep Megan out of the "communications loop." Doing so allows Liz to have greater control over Roger and helps her render Megan powerless to confront the flaws in Roger's employment situation.

Roger's motivations for allowing himself to be so vulnerable at the company are more puzzling. Why has he "never been happier," when both he and his family's financial future are at risk—and getting ever riskier as Liz's son moves up in the company? Roger is probably "acting out" some unresolved family issue from the past. Perhaps he is trying to be the favorite son, or attempting to live out a fantasy of one big happy family, or setting himself up to be torn between two women, or trying to hold both his business family and his personal family together by avoiding all conflict. We don't know.

Whatever Roger's unconscious drives may be, Megan may have little choice but to confront him with how they are coloring his judgments and decisions. Of course, Megan must be prepared to be met with denial, defensiveness, even hostility.

She could request that she and Roger together review their respective employment contracts, insurance, and retirement packages, in order to help them determine which serve their family's needs and which do not.

If Roger agrees to a comprehensive review, he may discover that his willingness to trust too much in Liz's good will may be the result of misguided optimism. If he balks or if he attacks Megan for her suggestion, it could point to some unconscious problems on Roger's part and to his efforts to avoid whatever psychic pain bringing those issues into the open would cause him.

The essence of Megan's decision may well be: Is she willing to make Roger more uncomfortable than she is herself? Or at least as uncomfortable?

This is one of a series of case studies of family business dilemmas, commented on by members of the Family Firm Institute and edited by Cleveland business consultant Ernesto J. Poza. The cases are real, but identities have been changed to protect the privacy of the individuals involved. The authors' opinions do not necessarily reflect the views of the institute.

India's Excellence

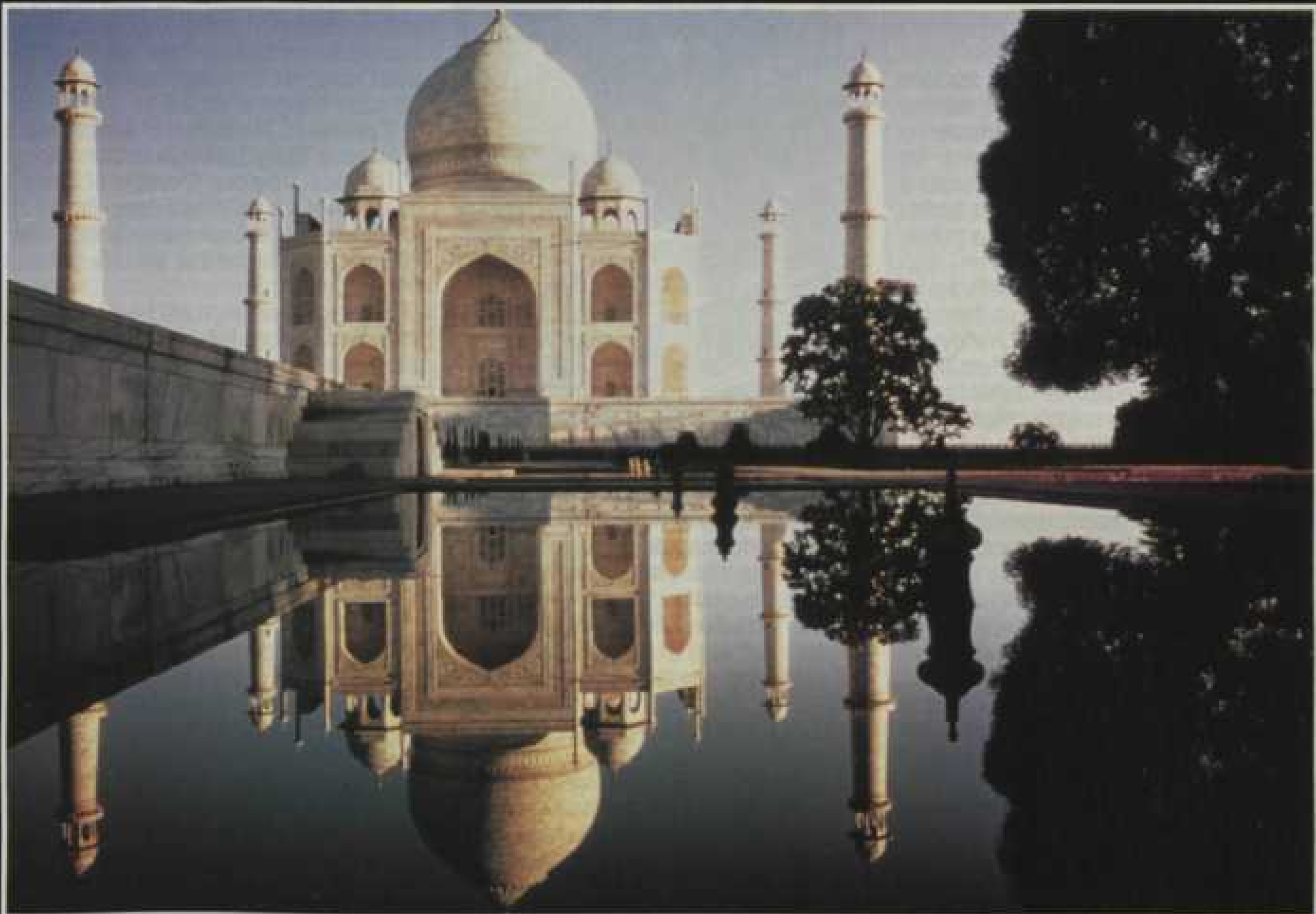


PHOTO: ©AIR INDIA

PHOTO: ©GOVERNMENT OF INDIA TOURIST OFFICE

SPECIAL ADVERTISING SECTION

India's Excellence

Prime Market For The U.S.

By Debashis Basu

Business owners in the U.S. considering overseas investments have many countries to choose from. Among those in the developing world, India offers the best mix of reasons to be the first choice. Following are some important factors that make India a prime target market for U.S. investment.

Market Potential. India, with a population of over 820 million, is the largest free market in the Third World.

Trained Manpower. India has the world's third-largest pool of trained manpower, including accountants, engineers, scientists, and marketing men.

Repatriation Of Earnings. Once a collaboration or an investment is approved by the Indian government, repatriation of earnings—dividends, commissions, royalties, etc.—is automatic.

English Language. English is widely understood and spoken. In fact, it is the link language in the country.

Competitive Labor Costs. India has a cost of living that is among the lowest in the world. The average wage rate for skilled labor is under $100 a month—about 5 percent that of the U.S. Well-qualified senior management personnel cost less than $15,000 a year.

Foreign Ownership. India permits foreign equity investment, ranging between 40 percent and 100 percent, depending on the level of technology involved in the project and its export orientation.

Indian Government Attitudes. The Indian government is actively promoting foreign investments and collaborations in select areas, particularly in high-technology industries and export-oriented industries. Time required for project approvals from the government has been progressively reduced.

Infrastructure. India offers perhaps the best overall infrastructure package for any country in the Third World. However, it must be recognized that facilities are not comparable to those available in the U.S., Europe, or Japan.

Research And Development. Research projects can be carried out in India at about 5 percent of U.S. costs. Good scientists are relatively less expensive. Laboratory equipment and facilities can be imported. U.S. firms can set up wholly owned R&D companies in India.

Banking And Finance. Major U.S.

PHOTO: DILIP MEHTA—CONTACT PRESS IMAGES

Indian workers *are easily trained.*

financial institutions like Bank of America, Citibank, and American Express operate in India; several others have representative offices in the country. Government-owned financial institutions like the Industrial Development Bank of India (IDBI), Industrial Credit and Investment Corporation of India (ICICI), Industrial Finance Corporation (IFC), etc., help financing of industrial projects.

Legal Remedies. The Indian judiciary is independent of the executive branch of government. The law does not discriminate between Indian companies and foreign companies.

Rising India-U.S. Trade. The U.S. is India's largest trading partner, with two-way trade at over U.S.$5.6 billion in 1988. The bilateral trade has been steadily increasing.

Import Regulations. India has liberalized its import policy to accelerate industrial growth. Raw materials, components, and machinery not available indigenously can be imported.

Taxation. The Indo-U.S. Double Tax Avoidance Treaty is now in force.

The Indo-American Chamber of Commerce (IACC) is sending a delegation of 10 to 15 senior-level businessmen, industrialists, and professionals to the U.S. from Oct. 27 to Nov. 3.

This high-level team will be visiting New York, Washington, and San Francisco to interact with American business leaders and clarify details on the Indian Industrial Policy, which is aimed at fostering greater economic and commercial cooperation between India and the U.S. The delegation will be headed by Mr. Ashok C. Pratap, a prominent attorney and president of the IACC. The visit is being coordinated by Mr. Harry Cahill, resident director of the IACC for North America.

The visit of the delegation would provide an excellent opportunity for American industrialists to exchange ideas and compare notes on a wide range of subjects focused on "doing business with India."

For details of the visit, contact the Indo-American Chamber of Commerce, Vulcan Insurance Building, Veer Nariman Road, Bombay 400 020. Fax 022 2046141. Telex 011 83891 IACC. Cable: Indamcham.

Learn To Tap India's Excellence

"We have done away with cobwebs of procedure," says Abid Hussain, ambassador of India to the U.S., in describing his government's dynamic new, ongoing moves to revitalize the Indian economy.

India's new, much more market-oriented environment should make it a more attractive place than ever for U.S. companies to invest, he says. In the past, India had some difficulty attracting the foreign investments it wanted and needed. "The biggest handicap had been government interference, and this is being dismantled," assures Hussain.

In this special section of *Nation's Business*, you will learn a great deal about the factors that make India and its leading

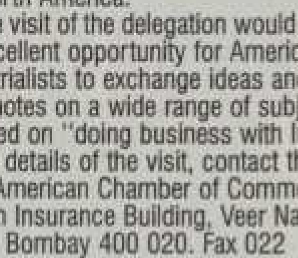


PHOTO: EMBASSY OF INDIA

Ambassador Abid Hussain

companies excellent prospects as overseas investment and trading partners.

When you finish this section, its sponsors and government officials hope that you'll be anxious to have your firm tap into India's Excellence.

Prime Hunting Ground For U.S. Business

By R. Desikan

The leather industry of India occupies a position of pre-eminence in the country's economy. This is not surprising as India is the world's largest livestock holder, said Mr. V. Prabakaran, executive director of the Council for Leather Exports.

The processed and finished skins of Indian goats, sheep, and calves are the best in the world, fetching very good prices in the international market, he says.

The leather industry in India is largely in the hands of the private sector. The Indian leather industry can be broadly divided into three stages of manufacture.

1. Processing of raw hides and skins into semifinished leather.

2. Processing of semifinished leather into finished leather.

3. Manufacturing of finished products.

The first stage is mostly in the village sector; the second in the village and small-business sectors. These two stages employ over 75 percent of the 1.4 million people employed in all aspects of the leather industry. The finished-product sector employs 25 percent.

From an export of 85 percent of hides and skins in 1974, today India exports fully value-added products.

In an interview with *Nation's Business*, Mr. Prabakaran said: "The Indian leather industry is all set for rapid growth in the 1990s. The industry has undergone quite substantial changes in the past two decades, and the policy measures adopted by the government have started paying rich dividends. The onetime image of the country as supplier of rawhides and skins and tanned leather is gone for good, and today India has emerged as supplier of quality leather products, such as dress shoes, footwear, leather apparel, handbags, and wallets. Out of a total export value of 26 billion rupees during 1990-91, the share of value-added products has been 70 percent. The balance was in the form of finished leather.

"The high unit value realization for leather products and for finished leather, particularly for calf leather and glazed kid leather, is a mere indication of the degree of modernization and professionalism that has come about in this sector."

Dr. G. Thyagarajan, *director of the Central Leather Research Institute.*

Mr. V. Prabakaran, *executive director of the Council for Leather Exports.*

Indian leather technology is most advanced. Many of the leather factories use microprocessor controls, and the Indian leather industry is very much obsessed with modernization in all aspects.

With the Western countries becoming very much conscious of pollution, and their labor becoming almost prohibitively expensive, India provides ideal conditions for importing hides and skins from the U.S., processing and finishing them to export as finished products. India has infrastructure facilities for processing hides and skins into finished leather products even for small businesses in the U.S.

Mr. Prabakaran says: "The design and product-development skills of the industry have been upgraded through various training programs and the consultancy services rendered with assistance from international agencies, including the International Trade Centre (ITC) of Geneva, the Swedish International Development Authority (SIDA), the Developing Countries Trade Agency (DECTA), the Commonwealth Fund for Technical Cooperation (CFTC), the Indo-German Export Promotion Project (IGEP), and the Japan External Trade Organization (JETRO)."

Adds Mr. Prabakaran: "Now that the industry is on the threshold of major expansion in footwear and leather apparel exports, the Council for Leather Exports will be implementing a program for arranging full exposure to the designs and fashion trends in the target markets. The program will include provision of consultancy services of reputed design and marketing experts from major consumer countries like the U.S., Germany, etc., and arranging for the selection of reputed Indian firms for one-to-one contacts with leading established firms in the U.S. and Europe. We in the Council for Leather Exports have a definite target for the century: India will be commanding at least a 10 percent share in the global market for leather products."

Collaborations already exist between top U.S. shoemakers in the expensive segment of dress shoes, garments, and accessories. The Indian leather industry provides an ideal hunting ground for U.S. designers of shoes, garments, and other leather products. The Indian leather industry provides any U.S. designer an excellent opportunity to design expensive and high-profit products.

This is a golden opportunity for U.S. businessmen. Indian leather-goods manufacturers expect the swarming of American designers and specialty leather-products manufacturers, just as they went west in the 19th century to hunt for gold in California.

India is an excellent hunting ground for them now.

Everyone, from small American businesses and industries to multinationals, will find that exclusive arrangements with Indian leather manufacturers are most profitable and ensure high-quality custom-made products or even mass-manufactured products. Today, India is fully equipped to handle any sophisticated demand from U.S. companies.

Among the Indian leather-products manufacturing units and processing companies, Florind Shoes, owned and headed by Mr. Ameenur Rahman, supplies American shoe manufacturing giants like Florsheim Interco, U.S.A.

The traditional leather-products manufacturers of the world have shared their advanced technological knowledge along with their eye for exquisite designs with Indian companies.

Mr. Raghu Gaitonde, a familiar face at international leather fairs, manufactures exclusive shoes and leather garments for the European market, which provides higher profit but insists on stringent quality. Mr. Raghu's Gaitonde Group of Companies not only exports but represents suppliers in India of finished leather and wet blue hides to companies all over the world, including Prime Tanning Company, Travel Leather, and Kroy Tanning from the U.S.

Yet another company that has gone modern and is meeting the exacting demands of the international market is Farida

Collectors'

K.H. Shoes Limited
K.H. House
2 Hunters Road
Choolai
Madras 600 112, India
Telephone : 38531/38532/38533
Telex : 041-7367 MAKH IN
Cable : GOODKIPS

Farida Classic Shoes Limited
1st Floor
936 Periyar EVR High Road
Madras 600 084, India
Telephone : 6411220/6412189
Telex : 041-7442 GNRI IN
Fax : 664187

Florind Shoes Limited
31 Maddox Street
Madras-600 112, India
Telephone : 34707/37639/38253
Telex : 41-7329 FSL IN &
41-6726 SHOE IN
Fax : 91-44-860809
Cable : KAYEAAR
Contact Person:
Mr. K. Ameenur Rahman

India's Excellence

Shoes, owned by Mr. M. Rafeeque Ahmed. Another significant development taking place in the leather industry is the upgrading of management personnel and communications, as Mr. Rafeeque Ahmed of Farida Shoes has done.

Many of the leading exporters of finished leather products come from traditional and conservative families. Their forefathers started this business three generations ago. These families are now sending their young men and women to some of the most prestigious universities in the U.S. such as Harvard and Stanford. Not only that, these families have started hiring professional managers.

Mr. Rafeeque Ahmed, a third-generation leather industrialist, will be marketing his own brand of shoes beginning this year to a select but very sophisticated European market. Indian branded shoes are reaching out to European markets for the first time. Very soon, specialty leather product wholesalers in the U.S., too, can market Indian products. Their scope is unlimited.

Central Leather Research Institute

CLRI is a research and training center—and an all-comprehensive one. According to Dr. G. Thyagarajan, director of CLRI, it is the only institute in the world offering doctoral and postdoctoral fellowship programs in leather science and technology. The Canadian Institute of International Development Research Center has instituted a handsome fellowship of 10,000 rupees per month, which enables luxurious living for corporate middle-management executives. CLRI has interdisciplinary faculty and research scientists of a very high caliber. CLRI has achieved the unique distinction of being the first to succeed in polymer grafting to improve wet rubbed softness of damaged skins. This program was founded under the U.S. Agency for International Development (AID).

Other product developments of interest to U.S. businessmen and industrialists are as follows:

1. Collagen sheets for burn dressing. Right now, the U.S. is manufacturing and marketing to the world microthin pigskin sheets (collagen) for burn dressing. The CLRI's technology produced the collagen sheets from waste material from slaughter houses. The manufactured product is surgically sterile collagen sheets, and this material has been acclaimed by Indian surgeons after clinical trials. These sheets are more than 50 percent cheaper than pig collagens and have better comfort-producing properties on the patient.

2. An enzyme for unhairing animal hide. This is a new, environmentally friendly product that helps to recover animal bristles, leaving no foul smell. This is a good and inexpensive substitute for traditional unhairing, which is messy and foul smelling. Collaborating with Holland, CLRI scientists recovered a fungal strain picked up from the tannery back yards. This product has international market value.

3. Pet, poultry, and fish feed. CLRI has also developed a number of pet products from animal waste. There is good scope for businessmen in the U.S. to set up plants in India for manufacturing these products so that price advantage is gained and profitability increased from existing levels.

4. Chromium recovery from tannery sludge. CLRI has also developed for the first time in the world a commercially viable process for recovery of chromium from tannery sludge.

Due to the application of stringent pollution-control laws, Indian tanneries are now setting up microprocess control plants to minimize usage of water and provide effluent treatment at plants. CLRI has developed alternative chemicals to chromium. The ultimate goal will be to find an environmentally compatible metal like iron. Close scientific collaboration with European countries is helping CLRI.

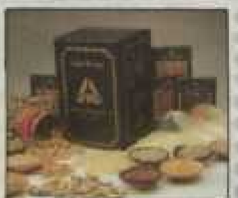
The growing response from the international business community to the Indian International Leather Fair in Madras is another pointer to the recognition for the Indian leather industry. Says Mr. Prabakaran: "This fair is held by the last week in January every year. The next one is scheduled for the fourth week in January, 1992. Hundreds of participants from all over the world come to Madras, India, to see and participate in this fair."

The leather industry, supported by the CLRI for scientific development and adaptation of modern technology on the one hand and the Council for Leather Exports through its expert studies, action plan, and a multitude of methods on the other, help to get the best knowledge available in the world, so as to provide exquisite, durable, and modern products for U.S. customers.

High-class Indian shoes *adorn this model.*

This model *puts best foot forward.*

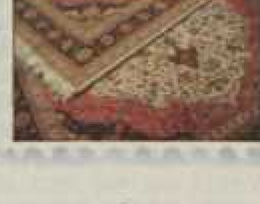
ITC, India's largest exporter, presents a world of products and services...



ITC is one of India's leading private-sector companies. Its annual group turnover—in excess of a billion dollars—is drawn from several businesses : tobacco, cigarettes, hotels, edible oils, packaging and printing, paper, board, computer software and financial services.

Eighty-one years of operating throughout India and access across the world make ITC the ideal trading partner. And, as the country's largest exporter, it offers a variety of value-added products and services.

From branded vegetable seeds, tea, coffee, spices, oilseed extractions, tobacco products and marine foods to mouth-watering Indian cuisine at Bukhara restaurants abroad. From exquisite handicrafts, carpets, garments and leather goods to paper, board and printed packaging. From tailor-made computer systems and software to contemporary comforts at the Sheraton-affiliated Welcomgroup hotels in India.



With offices stationed around the world, ITC's International Business Division is always at hand to procure and deliver quality merchandise. So, if you wish to do business with India, allow us to show you our world.

I.T.C. LIMITED, REGISTERED OFFICE : VIRGINIA HOUSE, 57 CHOWRINGHEE, CALCUTTA 700 071, INDIA. PHONE: 00 91 33 295610, FAX : 00 91 33 296523.

U.S.A. I.T.C. International Limited : Mr G. Misra, 110 Hillside Avenue, Suite 203, Springfield, New Jersey 07081. Phone : (201) 379-7377, Fax : (201) 379-7485.
U.K. : Milton Keynes : Mr V. Kasbekar, Phone : 0908 23 0055, Fax : 0908 69 5573.
U.A.E. : Dubai : Dr S.H. Iyer, Phone : 84 55485, Fax : 084 55484.
Singapore : Mr A. Garg, Phone : 2201171, Fax : 2213683.

I.T.C. Limited

New horizons, new hopes.

Contract ITC 67 91

India's Excellence

ITC: An Indian International

By Debashis Basu

ITC Ltd., one of India's premier business houses and an associate of the British American Tobacco Company P.L.C. of the United Kingdom, is today a multibusiness, multiproduct corporation occupying a leading position in every industry in which it operates. With an annual turnover of more than U.S.$1 billion—over 25 percent of which is in foreign exchange—ITC has in the last eight decades become one of India's largest companies in the private sector and is India's leading foreign-exchange earner. Started in India in August 1910, as the Imperial Tobacco Company of India Ltd., ITC initially concentrated on trading and promoting the sales of imported cigarettes and those manufactured at its own factory in Munger. In 1912, Indian Leaf Tobacco Development Company was floated. In 1913, cigarette factories opened, and printing started at Munger in 1925.

Research and development have been at the cornerstone of ITC's progress, with research centers at Rajamundry and Hunsur. ITC's commitment to R&D culminated in the setting up of the Integrated Research Centre at Bangalore in 1973.

Imperial Tobacco became India Tobacco Co. Ltd. in 1970 and ITC in 1974 to keep pace with the firm's diversification—into hotels in 1975, Bhadrachalam Paper and Paperboards Ltd. in 1979, and agribusiness in 1988.

The 1970s also saw ITC take deliberate steps in wider socioeconomic and cultural fields: Triveni Handlooms Ltd., established to help skilled craftsmen improve their quality of life; Sangeet Research Academy, created as a public trust in Calcutta, to preserve an integral part of India's national heritage, Indian classical music.

ITC went to Nepal in 1985 through Surya Tobacco to bring the latest in cigarette manufacturing technology to its neighbor, and, in 1986, the Bukhara Restaurant started opening overseas to spread Indian Northwest frontier cuisine.

The focus on internationalization started in the 1990s with the creation of the International Business Division (IBD). The mission of the IBD is to bring pride and value to the "Made in India" and "Made by ITC" labels.

In order to recognize the entire gamut of ITC's operations, a closer look at individual divisions is necessary.

India Tobacco Division. This division, ITC's area of traditional operation, has been the industry leader since the inception of the company. The Tobacco Division has one of India's largest marketing and distribution networks in the organized sector and is also an export earner with international brands such as Wills, India Kings, and Gold Flake.

Indian Leaf Tobacco Development Division (ILTD). India's position as the third-largest producer of leaf tobacco is largely due to this division of ITC. Not only is ILTD one of the largest buyers and processors of leaf tobacco, it established a research center at Rajamundry in the 1940s and strengthened it with the Agricultural Research and Training Centre at Hunsur (Karnataka). These centers, the only ones of their kind, offer services to farmers through a large body of dedicated agri-scientists, and it is this eminence in

An Interview With ITC's K.L. Chugh

Mr. K.L. Chugh, chairman of ITC Ltd., recently spoke at length with Debashis Basu, one of *Nation's Business'* representatives in India.

Following are excerpts from this interview, conducted in India.

Nation's Business: Most businesses in the U.S. are unaware of the wide variety of high-quality products available from India at very competitive prices. What are the products and services under the umbrella of ITC Ltd. that demonstrate India's excellence?

Chugh: The ability of Indian enterprise to match international standards of excellence has been veiled from the world's view by India's "closed-door" macroeconomic policies. For those who have seen it, the people who built the Taj Mahal are obviously capable of competing anywhere in the world.

ITC is in nine basic businesses....All of its products and services are monitored by ITC managers spread across the country and at offices at strategic locations overseas. This provides an advantage that translates absolutely into assured quality and prompt delivery for customers, wherever throughout the world they happen to be located.

NB: As ITC Ltd. plans to establish its presence globally, in what areas will ITC expand its international operations?

Chugh: There is an obvious advantage in expanding international operations in those businesses where we already have knowledge and skills. Therefore, in our nine businesses, we will be looking for niches in the world market where we can establish a stable market share.

This, however, does not exclude the possibility that we might invest in those areas where India as a country has a strategic advantage. Thus in areas like tea, leather, and consultancy, we have the raw materials, we have the human skills, and the conditions to give us a competitive edge against international players. We are, therefore, planning to expand our international operations in the perspective not only of our existing businesses, but possibly in some new ones.

NB: ITC Ltd. began in 1910 as a small cigarette manufacturer. Now it is one of India's largest and most diverse multinational companies. Why has ITC succeeded when others have not?

Chugh: We are, of course, not the only successful corporation in India. Conglomerate expansion has been under some critical debate in First World countries. The general criticism is that you must stick to the knitting and not take undue risks by venturing in unfamiliar businesses. However, in the countries that are starved of capital, entrepreneurship, and skills, there are business opportunities and societal demands on corporations like ITC to diversify into so-called unfamiliar areas.

The reason why we have succeeded so far is that we have built our enterprise around our people. We have carefully chosen the leadership in each of our businesses, and allowed them to learn the logic of success in those businesses and to create core competence which stood them in good stead in an increasingly competitive environment.

NB: In what sectors would ITC be interested in forming strategic alliances with U.S. businesses, and what form would these alliances take?

Chugh: On the issues of strategic alliances and the form they would take, it depends on the competitive circumstances in that particular industry. For instance, in the seeds business, we have already forged a strategic alliance with the University of North Dakota. As the policy framework in India becomes increasingly conducive to international alliances and interactions, we look forward to forming relationships with U.S. corporations for our mutual

the field which encourages international buyers to interact with it. Indian spices exported by ILTD under the distinctive trademark Indian Heritage have gained considerable acceptance in world markets.

Packaging and Printing Division (PPD). This division meets the requirements of a wide range of India's brand leaders. Internationally recognized for its excellence in the field, PPD has won Worldstar Awards for research and development to create innovative packaging solutions.

Hotels. ITC's first diversification into an entirely new area resulted in Welcomgroup. Started in 1975 with the opening of Welcomgroup in Madras, it is the youngest of the 13 hotel chains in India and the fastest growing. It offers business travelers exclusive services through its unique executive clubs. Welcomgroup has a worldwide marketing-services agreement with Sheraton International, Inc. Today, its flagship Welcomgroup Maurya Sheraton in Delhi and Mughal Sheraton in Agra are rated among the best hotels in the world.

ITC Bhadrachalam Paperboards Limited (ITC-BPL). This represents the second major diversification of ITC. A core sector, capital-intensive unit in a backward tribal area, ITC-BPL has won national productivity awards and this year has been rated the "Company of the Year" by Financial newspapers. Its wide variety of products are sought in major countries in South and Southeast Asia.

Agri-Businesses Division (ABD). ITC's third major diversification, the ABD, catapulted ITC into the top of the branded edible oil segment with Sundrop and Crystal brands. This new division focuses on the development of better seed varieties, marketing of edible oils, and export of agribased products. ABD also has a trading relationship with Continental Grains (U.S.A.) for its exports.

International Business Division. This division was created to provide thrust and momentum to ITC's growing presence in international markets. ITC already is the largest foreign exchange earner in the country and has carried forward with it farmers, artisans, and scientists of India. The division exports hand-woven carpets, spices, and computer software, all made and developed within the group under close supervision to match international standards.

Mr. K.L. Chugh: *The people who built the Taj Mahal can compete anywhere.*

benefit so that we will be able to effect the skills transfers that are so fundamental to achieving broad success internationally.

NB: Some U.S. firms have been reluctant to invest in India because, under Indian law, they can maintain only minority ownership rights. Is this a valid concern? Should majority ownership by foreign firms be allowed?

Chugh: This is a valid concern of U.S. corporations, but the real issue is the choice of partners. BAT Industries has around 34 percent of our stock. But the relationship is sound, historically hallowed, and meaningful to both parties.

If the choice of a partner is carefully made, then the issue of the percentages of stock ownership tend to recede in importance. The real opportunity lies in progressive companies from the two largest democracies in the world getting together to do business.

But to go back to your concern about minority rights of foreign companies, recent policy changes in India indicate that political leadership is also cognizant of the need to allow increased equity participation/ownership by foreign investors. Barring strategic industries like defense, etc., it is probable that India will soon become increasingly attractive for foreign direct investment.

NB: Is there a message you would like to convey to the U.S. business community?

Chugh: I think the most important message we have to convey to enterprises in the U.S. is that India is unalterably on the move.

Like America, it is a vast and diverse land of opportunity for free enterprise. We in India look forward to forging relationships with businesses in the U.S. for the mutual gain of our peoples. My hope is that with our international alliances, we can go forward together from strength to strength.

A Booming India Beckons

India is set to catapult her inspiring industrial superstructure into the 21st century as a front-line industrial nation.

The new industrial policy of the government of India proposes a series of measures designed to unshackle Indian industry from myriad administrative and legal controls. The major highlights of the new industrial policy include:

- Delicensing of major industries without investment limits.
- Automatic clearance for the import of capital goods if accompanied by foreign equity.
- Wide broad-banding facility.
- Direct foreign investment up to 51 percent in high-priority industries, which include 34 broad areas such as metallurgy, electrical equipment, transportation, food processing, and the hotel and tourism industry.
- Doing away with MRTP clearances.

It is thus apparent that India today has a positive thrust to move away from a sheltered economy to a free-market economy. India's industrial progress is already demonstrated through its increasing exports of engineering goods, projects, and services. Engineering exports from India amounted to U.S.$1.8 billion in 1990. The growth in exports over the previous year was 28 percent.

More than one-third of India's engineering exports were composed of, among other products, industrial plants and machinery, electric power machinery and switch gears, machine tools, vehicles, jeeps, cars, two- and three-wheelers, wagons and coaches, wires and cables.

Exports to the U.S. accounted for 10 percent of India's global engineering exports. India's engineering trade basket to the U.S. was composed largely of hand tools, bicycles and bicycle parts, auto parts, machine tools and accessories, and castings and forgings.

The growing pool of expertise and development of technical manpower has contributed to the high quality of production at internationally competitive prices. India's exports of relevant technology to the developing countries in Africa and Asia and active participation in infrastructural projects in developing countries have

India's Excellence

attracted the attention of countries all over the world.

Today, India is not only a subcontractor to prime contractors in the developed countries, but has also grown to take the place of the prime contractor in many World Bank and other aid projects. Indian technical consultancy services have also acquired the desired expertise to build airports, establish power stations, construct grain silos, and set up hospitals and polyclinics, commercial buildings and hotel complexes, including designing, erecting, and commissioning of all types of large industrial projects.

The new industrial policy of India seeks to propel this tremendous industrial progress further by introducing revolutionary and innovative production ventures backed by marketing zeal and vigor. It is sought to be done through technology assimilation and a spate of industrial collaborations to keep pace with the changed national and global economic environment.

The government further reiterates that a special empowered board would be constituted to negotiate with a number of large international firms and approve direct foreign investment in selected areas. This would be a special program to attract investment that would provide access to high technology and world markets. The investment programs of such firms would be considered in totality, free from predetermined parameters of procedures.

Recently announced industrial policy backed by some major reforms in trade policy of the government of India is expected to provide motivation to its engineering exporters in meeting a target of about $2 billion for the current fiscal year, of which the share for the U.S. market is projected at approximately 12 percent.

Keeping in view that Indian industries are no longer expected to operate under the plaguing problems of nonavailability of raw materials, infrastructural constraints, communication constraints, financial constraints, and delays referred to procedures, the target appears to be achievable.

Executive Director *V. Kumar and Vice Chairman P.K. Shah.*

Chairman *J.S. Bhasin*

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Uniferro: Maker Of Investment Castings

Uniferro International Ltd., of which UNI DERITEND PRECISION CASTINGS is a division, is a part of the Neterwalla Group of companies, a closely held but professionally managed group with interests in ferroalloys, castings, valves, and specialty chemicals.

Uniferro specializes in the manufacture of both ferrous and nonferrous investment castings and is the largest producer of investment castings in India. It has two production facilities: one near Bombay; the other at Tumsar for the manufacture of "airmelt" investment castings.

Its research and development wing has sought to update its manufacturing technologies to keep pace with developments in the field. It has also developed its own manufacturing technologies for ceramic cores and waxes, making it self-sufficient in all aspects of technology.

Uniferro has produced more than 2,000 components in as many as 150 alloys—both ferrous and nonferrous—including nickel and cobalt base alloys.

The systematic standardization of manufacturing parameters to suit each component by a team of well-qualified metallurgists is a routine part of development activity at Uniferro. At the development stage, each casting is radiographed for optimization of feeding and processing parameters, even if customers had not specified radiographic quality.

A new component is planned for bulk production only on receipt of a written approval on dimensional features and metallurgical soundness from customers. Any amendment to the standardized production parameters is done only after a full recycle of the development process.

Uniferro is approved for manufacture of castings for the aircraft and nuclear industries. One of the castings manufactured for nuclear power plants, weighing hardly 4 kilograms, has to undergo as many as 21 radiographic shots to meet very stringent radiographic requirements. This gives an idea about the castings Uniferro is capable of manufacturing.

Uniferro has a well laid out quality-control and quality-assurance manual. Its quality-assurance systems are audited and approved even by some overseas clients.

Uniferro has introduced investment castings as substitutes for components made by conventional processes, such as casting, forging, fabricating, and machining, in a number of industries.

Uniferro has started exporting to the European and U.S. markets and, in a span of just two years, has developed over 60 components for export.

SPECIAL ADVERTISING SECTION

India's Excellence

Precision Gears Takes High-Tech Abroad

Precision Gears Private Ltd., which brought the latest technology to India in pharmaceutical packaging in 1978, is today racing onto the international scene at a blistering pace.

Continuous research and development have enabled Precision Gears to launch its indigenously designed FORMPACK-230T blister-packing machine in the European market. FORMPACK-230T is a crossbreed of the intermittent-motion, compressed-air, blister-forming machine and the continuous-motion, rotary sealing machine. This machine was displayed at INTERPACK-90 in Dusseldorf, Germany, and subsequently sold to a pharmaceutical company based in the U.K.

The FORMPACK-230T blister-packing machine can be linked up easily with a cartoner or collator. This machine can be provided with additional features, such as an on-line, single-color flexo printer, built-in perforation, hot scoring, code embossing, and a misfill blister-rejection system.

Mr. Satish Rao, the managing director and technical director of Precision Gears, studied engineering in West Germany and worked for Hassia Verpackung Maschinen GmbH for nine years.

In 1978, Precision Gears started manufacturing rotary-motion, vacuum-forming blister-packing machines in technical collaboration with Hassia Verpackung Maschinen GmbH.

This machine was called the PHARMAPACK-240 blister-packing machine, and, after a few years, Precision Gears developed a smaller machine called the PHARMAPACK-150.

In 1985, Precision Gears developed, through its own efforts, the intermittent motion "flatbed" compressed air blister-forming machine, FORMPACK 230A. This machine was much more versatile than the PHARMAPACK-240, as the flatbed blister-packing machine could produce blisters up to 30 millimeters deep and handle a complete range of products, such as tablets, capsules, vials, and various other products.

Precision Gears is set to make its presence felt in the world market by offering the widest range of blister-packing machines. The company is the second largest manufacturer of blister-packing machines in the world.

Precision Gears is headquartered in Bombay and has three manufacturing units: Bombay, Bangalore, and Indore. The Indore unit also manufactures nonferrous rivets, and a major portion of this production is exported to Australia and the Far East.

Circle No. 55 on Reader Service Card.

SPECIAL ADVERTISING SECTION

India's Excellence

Lawkim Ltd.: An Air Of Optimism Is Afoot

The largest operating democracy in the world, India, has long been a potential entrant to the world scene as an economic presence. However, its huge bank of human brain power and skills has never been fully tapped due to labyrinthine government controls and bureaucratic procedures.

Under pragmatic new economic policies, the government is determined to raise the country's manufacturing standards to international levels and to compete on equal footing with foreign companies both in domestic and export markets.

There is an air of optimism afoot, and Mr. V.M. Crishna of Lawkim Ltd. confirms this. Lawkim is the country's best producer of hermetic motors and other specialized motors for the air-conditioning and refrigeration industries as well as the burgeoning appliances industry.

"Ours is a medium-sized, light engineering unit that has grown in a careful manner since we took over the management in 1977, when its bankers had closed it down," says Mr. Crishna. "We have a fine team of engineers and managers who have combined with our skilled work force, and that is the secret of our success. We have been able to raise production from 30,000 motors in 1977 to 600,000 motors this year. But, more importantly, the levels of our product quality have shown matching improvement."

Lawkim is now building a second plant, with a total capacity of 1 million motors. With the advent of added capacity and the country's new economic policies, Lawkim is set to enter the international markets for hermetic and other motors and is preparing its plans carefully so that it can build up, step by step, as in the past.

"Our plant and machinery have been completely revamped over the past four to five years, and we have undertaken special training programs both in India and abroad to help our people become completely aware of what customers in overseas markets look for in terms of quality, product reliance, competitive pricing, and delivery schedules," says Mr. Crishna.

And in what market does Lawkim expect to find new customers?

Says Mr. Crishna: "The U.S., particularly, is an exciting market to try and enter, and we look forward to meeting American manufacturers who have a need for light engineering goods. Besides the motor industry, we have the capabilities to make small parts and components for other industries, such as the auto industry. That is another area we would like to make our presence felt."

India's Excellence

Improving India's Banking

The new government of India is implementing or considering many sweeping economic reforms, but one of the suggested reforms—privatization of financial institutions, including the banking system—may not be the panacea it's purported to be, according to Mr. M.N. Goiporia, chairman of the State Bank of India.

"Public-sector banks have certain significant achievements to their credit, which private-sector banks would hardly have been able to attain, including massive branch expansion, reorientation of credit flow in favor of agriculture and other sectors of the economy, throwing open of banking facilities to the masses and poorer sections of society, and massive support to planned development," says Mr. Goiporia.

The chairman of India's largest bank in terms of assets—U.S.$50 billion—points to specific achievements of the state-run banking system.

"The signal achievement in the post-nationalization period, to my mind, is the entry of banks in the area of social banking," says Mr. Goiporia.

"The practice of social banking in the last 22 years has resulted in substantial gains in the areas of cultivating and then expanding savings habits, institutionalization of credit, channeling of credit into vital but neglected industrial sectors, creation of employment opportunities, and creation and expansion of a new class of entrepreneurs, which is so essential for creating new wealth and accelerating employment opportunities for all," he explains.

"The emphasis on 'priority-sector' lending—covering small farmers, small-scale industrialists, and village artisans—and the operation of innovative lending programs has, apart from conferring direct benefits, been instrumental in redistribution of income in favor of the underprivileged," Mr. Goiporia says.

"At this point, one has to concede that after the hectic pace of branch expansion, banks in India have now entered a consolidation phase in the sense that there is greater emphasis on profitability, accounting efficiency, mechanization, and computerization," adds Goiporia.

"Efforts are also under way for improving the credit-delivery system, especially in the rural areas. All these will impart a new dimension to commercial banking in India," he says. "Although there have been some lapses in lending and profitability has come under greater pressure, many public-sector banks are not only profitable, but are quite well run, besides being organizationally strong."

Still, there is much room for further reform in India's banking system, Mr. Goiporia admits.

"Of course, there is scope for improving the working and efficiency of the public-sector financial institutions. In fact, some steps in the direction of liberalization and gradual freeing of the system have already been taken, and more such measures could be forthcoming. The move to introduce greater transparency into the affairs of the banks will tone up their functioning further by throwing open their workings to the fullest public scrutiny and criticism. At the same time there is also a case for granting greater autonomy to the financial institutions."

But Mr. Goiporia cautions that "denationalization" of the banks of India should not be accomplished through government mandates. "What is required is informed guidance from the authorities rather than detailed directives and targets," he says. "The directives could cover broad areas of policy and not matters of detailed administration, which should be the responsibility of the bank managements themselves."

Women In Business

Ideas, insights, and information to help women compete and succeed in the marketplace.

By Sharon Nelton

STRATEGIES

PHOTO: ©JOHN ZICH

Making An Impact

We didn't know whether to call this story "Breaking The Glass Ceiling" or "Being A Change Agent," because Julia M. Stasch has done both.

When *Nation's Business* last talked with Stasch, for a March story on federal contracts for women business owners, she was executive vice president of Stein & Co., a commercial real-estate firm that has developed more than $2 billion worth of properties in the Chicago area.

Since then, in July, Stasch, 44, has been promoted to president and chief operating officer.

With about 100 employees, Stein & Co. is not large, but it does large things—the 60-story AT&T Corporate Center in Chicago's Loop, the 27-story 203 North LaSalle building in the city's financial district, and aggressive, award-winning programs, developed by Stasch, to encourage the Chicago construction industry to hire women and minorities and to do business with women-owned and minority-owned firms. "We want to use our projects to achieve a certain civic and social agenda," Stasch says.

Stasch was invited to Washington recently to testify before a Senate labor

Stein & Co. *President Julia M. Stasch, second from the left, has won awards in Chicago for her aggressive efforts to increase the number of women and minorities on her firm's construction projects and to help them succeed.*

subcommittee on Stein & Co.'s Female Employment Initiative. The goal of that program, Stasch told *Nation's Business*, has been "to increase the number of construction tradeswomen on our projects and help them succeed."

Stein & Co. began the female initiative in 1989 when it started construction on an office building for the U.S. General Services Administration. Now the company is applying the program to all its projects.

The beauty of the initiative, suggests Stasch, is that "it can be replicated" throughout the construction industry, which would help prepare it for a labor pool that is increasingly made up of women and minorities.

According to Stasch, the female initiative is built on three "imperatives":

■ Building collaborative relationships among owners, contractors, representatives of building-trade unions, and community-based organizations.

■ Creating an atmosphere "characterized by cooperation rather than the demand for 'compliance.'"

■ Creating a "critical mass" of women on any one job site to eliminate the isolation that so many women have experienced in the past and to provide an opportunity for them to succeed or fail on their own merits. It's not fair when there's just one woman on the job, Stasch says; if she's unsuccessful, her male colleagues view all women as unsuccessful. But if she succeeds, they see only that *she* succeeded, not that other women could too.

Stasch's company hires consultants to carry out a number of procedures, such as helping project contractors recruit tradeswomen; making sure that the women as well as the men get opportunities for overtime; holding orientation sessions for women interested in the construction trades; and conducting an exit interview with each tradeswoman to find ways to improve retention of women, working conditions, and women's preparation for construction jobs.

As a result of the program, more than 80 of the nearly 500 tradespeople who worked on the General Services Administration building were women, and more than 60 percent of the contractors on the project hired women.

Stasch says that the range and magni-


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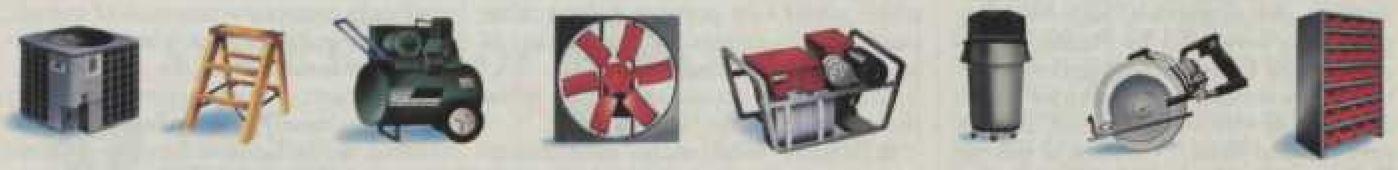

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tude of Stein & Co.'s projects give it the opportunity to make an impact on Chicago through the economic development of minorities and women. And while it sets no quotas, the company makes it clear up front that bidders on its projects are expected to support its social goals. "If a contractor doesn't want to do it, he doesn't have to bid the job," says Stasch. "It's as simple as that."

What Stein & Co. is doing is neither charity nor liberalism, Stasch insists. It's "just intelligent."

Her company has not simply given business to minority- and women-owned companies, Stasch points out. "They call *us* with business opportunities. It's a two-way street."

Another Way To The Top

Julia Stasch's success story suggests that there's another way for a woman to get to the top: join a young, small company and stick with it.

Stein & Co. was founded 20 years ago by Richard Stein, and Stasch, a former high-school history teacher, joined the business as a secretary in 1976. She is now its president and also part owner.

"I got in on the ground floor of this firm," Stasch says. "I came to work with Richard Stein when there were only four people, and so I think I've really been able to help shape the firm—shape its agenda, shape its culture."

She has never asked for a job description. "If I had a job description, I knew that I would be limited by it," she explains.

You don't necessarily have to have experience to take on a new responsibility, she says. "Time and time again throughout my career, I have stepped into areas where I've had no expertise, no training, no experience. I'm a quick study, I work real hard, I know you have to do your homework, and I know you have to be prepared to take advantage of opportunities."

She also thinks it helped that Richard Stein, now the company's chairman, has two daughters whom Stasch describes as "very smart, very ambitious, very achievement-oriented." She says that Stein's desire to see his daughters succeed may have been an unconscious factor "in his willingness to place as much confidence in me as he has."

For More Information

A new report provides details on Stein & Co.'s Female Employment Initiative and 15 other innovative programs to help working women.

Called *A More Promising Future: Strategies for Improving the Workplace,* the report is based on a two-year study by Wider Opportunities for Women, an organization that works for the economic independence of women.

Other company programs featured in the report include an intergenerational day-care center for children and the elderly developed by Stride Rite Corp. and efforts by the Pacific Gas and Electric Co. and Corning Inc. to develop and manage diverse work forces.

The 36-page report is available for $17 from WOW at 1325 G Street, N.W., Lower Level, Washington, D.C. 20005; (202) 638-3143.

A 154-page companion publication, *Risks and Challenges: Women, Work, and the Future,* published last year, is also available from WOW for $17. It covers such issues as women's poverty; differences among such women workers as rural women, homemakers, and minority women; and adjusting the workplace to fit women and families.

EXPORTING

Women Urged To Go Global

Patricia Saiki, head of the U.S. Small Business Administration, is urging women business owners to play a larger role in international trade.

"Only 2.5 percent of women-owned businesses are involved in the global market," Saiki said recently at a meeting of the International Network for Women in Enterprise and Trade, in Washington. Saiki says women can take advantage of SBA programs to help them get started in exporting by:

■ Obtaining information packages on exporting, available from the SBA.

■ Making use of SBA's loan programs, including the Export Revolving Line of Credit, which provides short-term credit to finance labor and materials necessary to export or to develop foreign markets, and the International Trade Loan Program, which makes SBA loan guarantees of up to $1 million available to small businesses for fixed asset financing, with borrowers also eligible for $250,000 in working capital.

■ Getting training through counselors from SCORE (Service Corps of Retired Executives) and Small Business Development Centers nationwide.

PHOTO: T MICHAEL KEZA

Too few women *are exporting, says SBA Administrator Patricia Saiki.*

■ Participating in WNET, the Women's Network for Entrepreneurial Training, in which successful women business owners serve as mentors to women who are building their businesses.

For more information, contact your nearest SBA office or call the SBA's toll-free Answer Desk at 1-800-827-5722.

RESOURCES

For Your Bookshelf

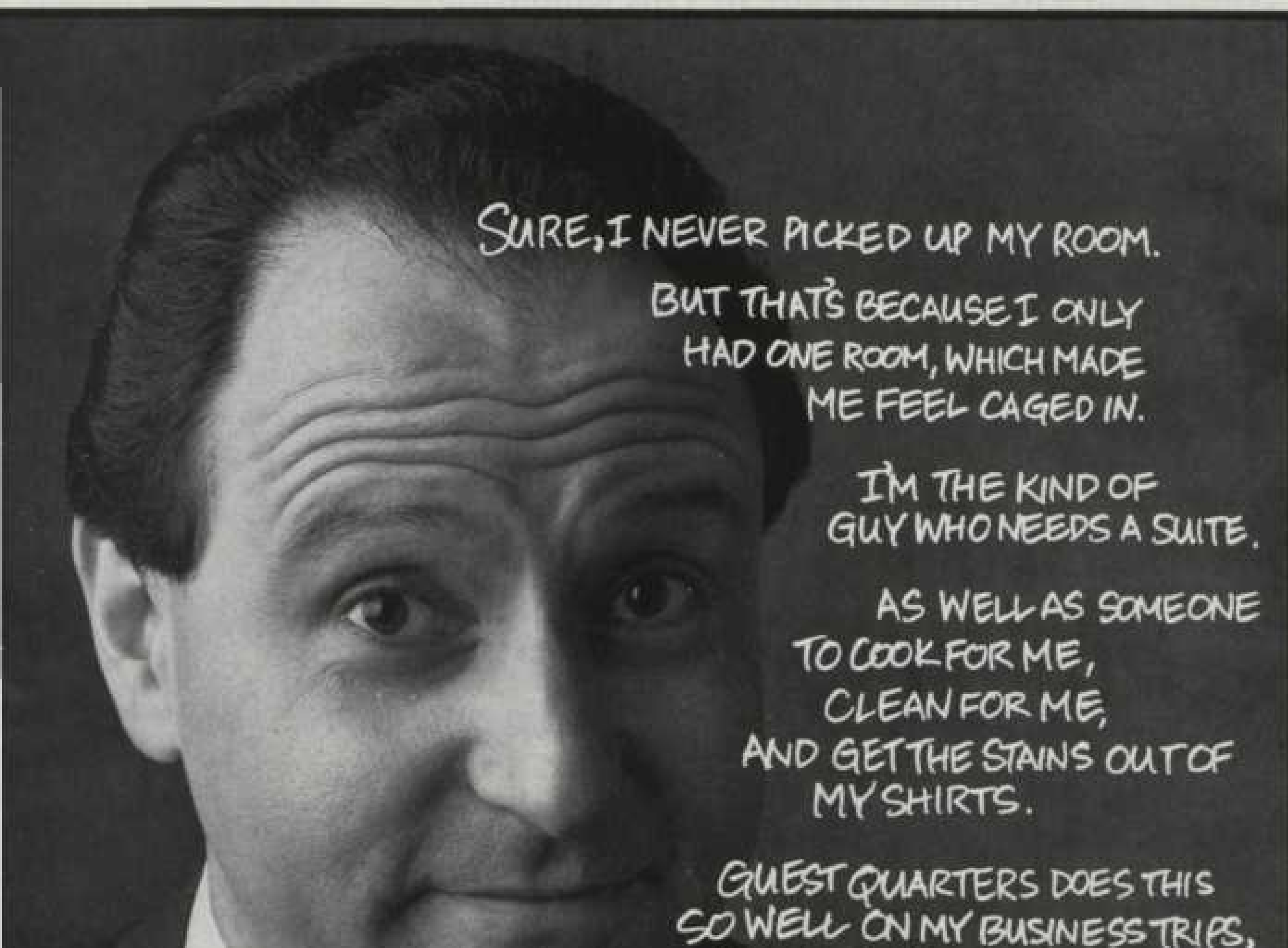
Recent books of special interest to women in business include:

Giving Away Success: Why Women Get Stuck and What To Do About It, by Susan Schenkel, (revised edition, Random House, $17.95). Despite the fact that they may be highly motivated, many women can't get themselves to take action, says psychologist Schenkel. They are often hampered by a negative view of themselves, according to the author, who says, "Research tells us that while men tend to attribute their success to ability, women tend to attribute their success to luck rather then skill." She offers techniques for overcoming "internal barriers to achievement."

Workforce America! Managing Employee Diversity as a Vital Resource, by Marilyn Loden and Judy B. Rosener (Business One Irwin, $24.95). Loden, an organization change consultant, and Rosener, a management professor, provide a guide to entrepreneurs or executives who want to master the art of managing a diverse work force. They cover such issues as avoiding stereotyping minorities and women, managing culture clash, and long-term benefits of diversity. NB


When Joe was little he
never picked up
his room.
I cooked for
him. I cleaned
for him. I even
got the lasagna
stains out of his shirts.
Who'll do that for
him now?
Rita Sabatini
Joe's mother

CHI/E 4


SURE, I NEVER PICKED UP MY ROOM.
BUT THAT'S BECAUSE I ONLY HAD ONE ROOM, WHICH MADE ME FEEL CAGED IN.
I'M THE KIND OF GUY WHO NEEDS A SUITE.
AS WELL AS SOMEONE TO COOK FOR ME, CLEAN FOR ME, AND GET THE STAINS OUT OF MY SHIRTS.
GUEST QUARTERS DOES THIS SO WELL ON MY BUSINESS TRIPS, YOU JUST KNOW WHERE I'M GOING TO GO FOR MOM'S FIFTIETH ANNIVERSARY PARTY.
Joe Sabatini
CEO

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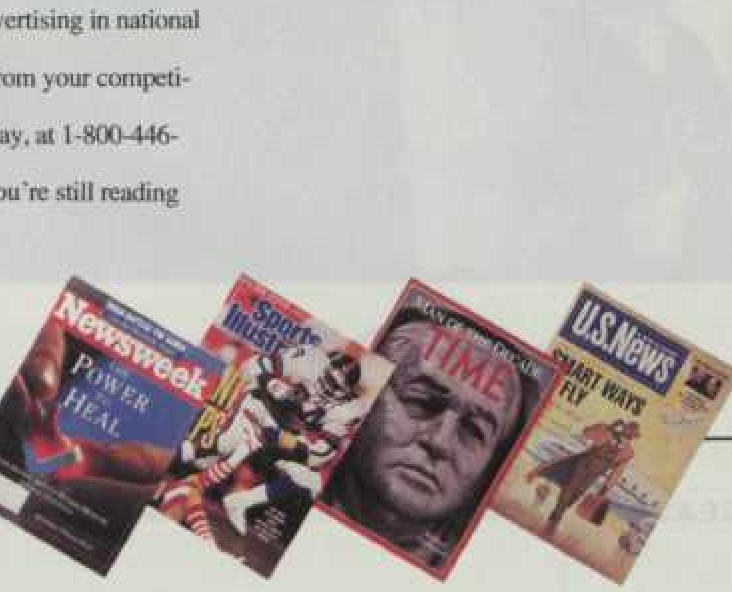
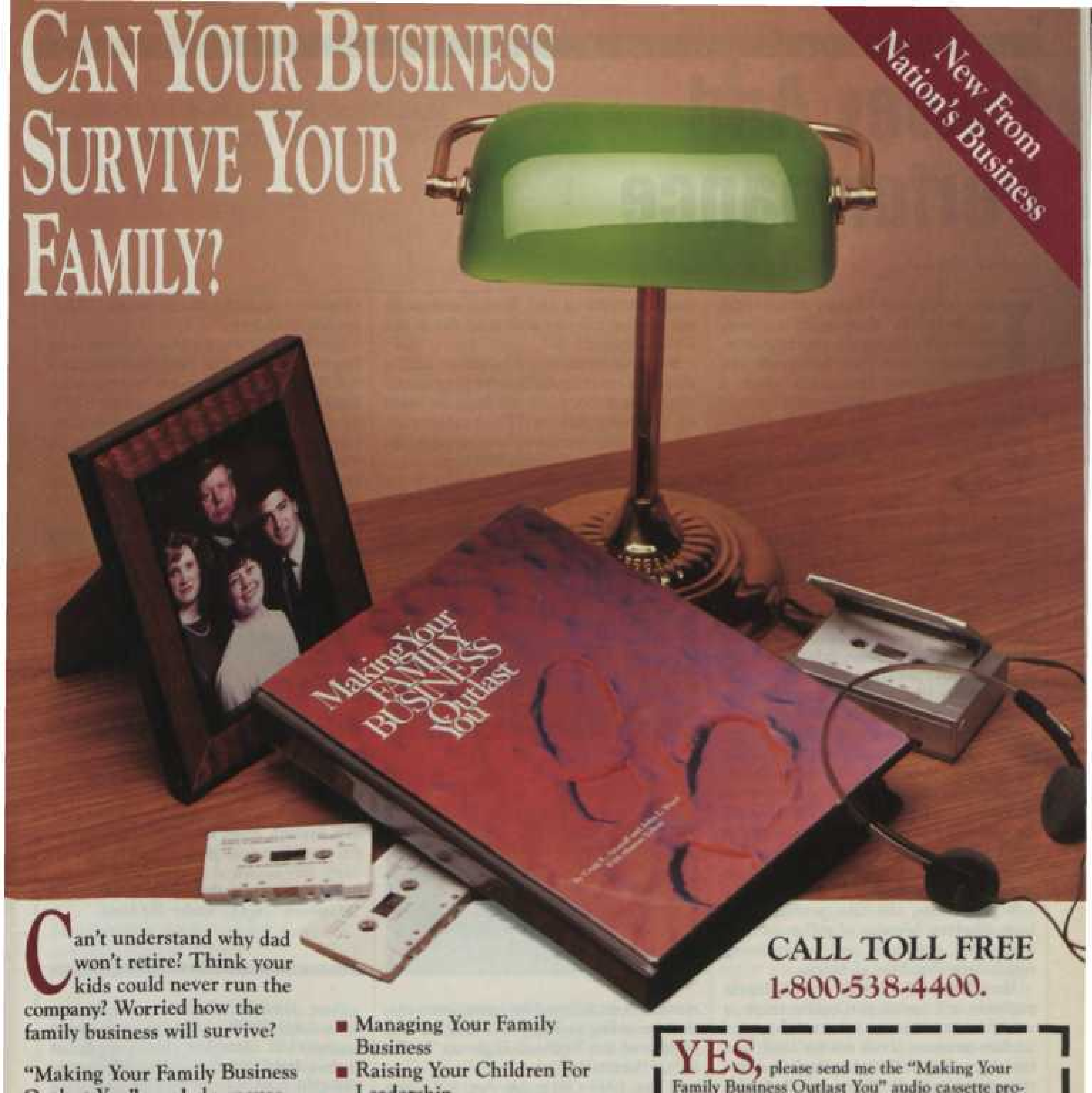


3M

CAN YOUR BUSINESS SURVIVE YOUR FAMILY?



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Power And Performance

By Julie Candler

There's a powerful story in the 1992 truck lineup. Many light, medium, and heavy trucks are sporting more muscle under their hoods. At the same time, prices have risen about 4 percent for the new model year.

Gertrude McWilliams, editor of *Concerning Cars and Trucks*, a publication covering legislation and regulation, says, "In spite of lower manufacturing costs, prices are way up, in part due to buyer preferences, in part to inflation, and a good deal due to the costs of legislated requirements."

The biggest gains in power and torque are found in full-size pickups and vans, mediums, and heavies. Their added clout stems from federal regulations covering diesel tailpipe emissions, which took effect this past January.

To meet the new standards, most manufacturers have added turbocharging and intercooling. The turbocharging compresses incoming air, thus generating excessive heat as well as energy. Intercoolers, like heat exchangers, reduce the heat of the compressed air. The changes minimize pollutants by making engines more efficient. They also improve horsepower and fuel economy, but their engineering costs mean higher prices.

What's more, the tabs probably will keep climbing because of still more federal safety, emissions, and fuel-economy regulations ahead for all trucks.

Manufacturers of heavy-duty diesels probably will install particulate traps or catalytic converters to meet tougher particulate-emission levels set for 1994. The cost, according to Douglas Slack, a senior vice president of Miami-based Ryder Truck Rental, could range from $2,500 to $8,000 per engine.

In addition to increases in prices and power, other trends have been developing in the truck market. Among them:

■ There is growing buyer interest in high-technology engineering to increase driver comfort, reduce gear shifting, improve communications systems, and reduce vehicle down time.

■ Safety-minded truck buyers are leaning toward vehicles with electronically controlled anti-lock braking systems.

■ Competition in the light-truck market is expected to increase. John Rock, General Motors' vice president for customer sales and service and former chairman of the GMC Truck Division, predicts that both Nissan and Toyota eventually will market full-size pickup trucks in the United States.

■ A federal standard requiring stiffer side-door crash protection for light trucks after September 1993 will increase costs an estimated $50 to $70. A roof-crush standard and mandated center-mounted stoplights also will escalate prices.

■ Light trucks will be required within a few years to meet the same federal safety standards established for passenger vehicles, according to Jerry R. Curry, administrator of the National Highway Traffic Safety Administration.

■ The 1990 Clean Air Act will force most light trucks to reduce certain emissions by the same percentages established for automobiles.

■ Fuel-economy standards for light trucks will grow tougher, increasing to a minimum of 20.4 miles per gallon for the 1993 model year and 20.5 mpg for 1994.

One of the most notable trends among trucks of all weight classes is the surge in interest in medium-duty trucks. Medium-duties have been boosted by the increase in regional hub-and-spoke distribution, by diesel-engine improvements that enable smaller trucks to handle bigger loads, and by some firms' desire to sidestep the more cumbersome and costly licensing requirements for drivers of the heaviest trucks—those in gross vehicle weight (GVW) Classes 7 and 8, which weigh 27,000 pounds or more.

Some of the demand for medium-duty trucks, says Douglas Slack of Ryder, is a result of recession-induced inventory reductions. Slack quotes a supplier to the auto industry: "Every time a manufacturer picks up production on a line, it creates a lot of transportation. That's because no one is carrying the inventory. Everybody has to move freight quickly."

Chevrolet Suburban, left: *Available in both two-wheel and four-wheel drive.*

GMC Syclone, above left: *Recently achieved 204 mph in a test, beating a Porsche.*

Dodge Ram pickup, above: *A more powerful "Magnum" engine under the hood.*

Now, however, there's one less medium-duty truck manufacturer doing business in America. Iveco SpA, of Torino, Italy, announced last fall that in mid-1991 it would end its U.S. operation after 13 years. Iveco helped to popularize medium-duty, low-cab-forward trucks, which position the driver over and ahead of the front axle. The trend toward that configuration continues because buyers like the better forward visibility it provides and the ease with which it lets the driver enter and leave the truck.

Following are many of the trucks available in the U.S. market, according to weight class and manufacturer:

The Latest In Light Trucks

New light-truck offerings for Class 1 (up to 6,000 pounds gross vehicle weight), Class 2 (6,001 to 10,000 pounds GVW), and Class 3 (10,001 to 14,000 pounds) include the following:

Trucks'92

Trucks arriving for the new model year are equipped with high-tech features to improve safety, economy, and driver comfort.

AM General. The four-wheel-drive HUMMER proved it could conquer 60-percent grades and meet other challenges during the Persian Gulf War. Now its manufacturer offers a commercial HUMMER for construction companies and other firms needing vehicles that can go anywhere. Officially known as the High-Mobility Multipurpose Wheeled Vehicle, the $40,000-plus HUMMER comes in three versions: a four-door hardtop pickup, a two-door hardtop pickup, and an open-top pickup. The HUMMER will be distributed initially through AM General of South Bend, Ind., with deliveries starting next June. For information, call 1-800-348-6833.

Nissan Diesel America UD1300, above: *The only Class 3 Japanese import powered by turbocharged, in-line six-cylinder diesel.*

Hino FA 15, above right: *Primary applications are in air freight and other moderate-load uses.*

Ford Econoline, right: *For 1992, more aerodynamically styled.*

Chevrolet. An all-new Suburban truck wagon, a crew cab with room for six, and a two-door Blazer sport utility vehicle headline the news from Chevy. All three of the full-size new vehicles adopt the platform of the successful C/K pickups, introduced two years ago.

The big, nine-passenger Suburban is available in both two-wheel and four-wheel drive. Like the six-passenger K-Blazer and the crew cab, it has a standard 5.7-liter V-8 gasoline engine. An optional 7.4-liter V-8 gas engine powers the crew cab and Suburbans with a GVWR (gross vehicle weight rating) of 8,500 pounds or more. A diesel engine is not available for the lighter Suburbans or the Blazer.

For the pickups, a 6.5-liter V-8 turbodiesel will be available sometime in the 1992 model year. Together, the C/K pickup and its twin, the GMC Sierra, are the nation's best-selling trucks. Anti-lock brakes are standard on all C/K models.

Chrysler. New "mini-minivans," officially designated as van/station wagons, are designed to appeal to many types of buyers, such as salespeople. The vehicles have sliding side doors and roomy interiors for their subcompact size. Their 1.8-liter four-cylinder engines boast four valves per cylinder. The five-passenger van/wagon hybrids, manufactured by Mitsubishi, have removable rear seats that fold down to make a table or flat surface for cargo. Their price is expected to be about $10,000 to $11,000.

Plymouth calls its version the Colt Vista. (Mitsubishi also will market the new vehicle as the Expo LRV, and a version sold by Jeep will be called the Eagle Summit.)

At Dodge, the full-size Ram Wagon, Ram pickups, the paneled Ram Van, and the midsize Dakota pickups get more muscle under their hoods. Dodge refers to their more powerful engines as "Magnums," a 3.9-liter V-6 and a 5.2-liter V-8. Both have been switched from carburetion to multiport fuel injection, raising their horsepower to 172 and 230, respectively. The 5.9-liter I-6 turbodiesel by Cummins is a new option for club-cab models of the pickup.

The full-size Ramcharger sport utility wagon gets the new 5.2-liter Magnum V-8.

Dodge will have a new full-sized 1994 pickup truck with concept-car styling.

Ford. The new, more aerodynamically styled Econoline van and windowed Club Wagon are remarkably smooth-riding, easy to drive, and quiet. Their engines are the same as those offered in previous years. The front ends have been extended five inches, chiefly to meet pending federal crashworthiness standards. To satisfy commercial users, the Econoline will have a separate, less expensive front end with lower replacement costs.

The lineup will include 70 body combinations and five seating arrangements.

Ford's F-series full-size pickups get a new aero look with rounded corners.

GMC. Like its corporate cohorts at Chevrolet, GMC introduces a new Suburban truck wagon that is roomier and more powerful than its predecessor. Also new is a crew-cab version of the C/K's twin, the GMC Sierra. An all-new full-size sport utility vehicle drops its Jimmy moniker and becomes the Yukon. The C/K's standard and optional engines also provide the GMC models' muscle.

In January, GMC introduced the Syclone, a high-performance version of the Sierra pickup. It fills a niche that other nameplates are expected to enter. On the Bonneville Salt Flats test track in Utah recently, a Syclone achieved 204 miles per hour, beating a Porsche.

A new 6.5-liter V-8 turbodiesel will be optional on the GMC Sierra pickup trucks. GMC says its fuel economy surpasses an equivalent gasoline engine by 25 percent to 80 percent while still meeting 1991 emission standards.

Jeep. The Eagle division of Jeep is calling its version of the new subcompact van/station wagon the Eagle Summit wagon. The van/wagon is made by Mitsubishi and sports the features of the Plymouth Colt Vista.

Mitsubishi. With a factory in Japan that manufactures the Plymouth Colt Vista and the Eagle Summit wagons, Mitsubishi Motor Sales of America also will market the unusual van/wagon. It will be the 1992 Expo LRV (Light Recreation Vehicle) with 79 cubic feet of cargo space when rear seats are removed.

A longer, compact-size version, mar-

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keted only by Mitsubishi, will be called the Expo. The seven-passenger Expo adds nine inches to the LRV version's length. Access to its three rows of seats comes through four hinged doors, eliminating the LRV's sliding door. Expo's 2.4-liter, four-cylinder, eight-valve engine generates 116 horsepower.

Although the Expo is longer than the Expo LRV, it has less cargo capacity, partly because it is almost two inches lower. The Expo is expected to start below $14,000, according to *Automotive News*.

Mitsubishi Fuso. The engines for Mitsubishi Fuso's Class 3 trucks have been revised to reduce emissions and increase horsepower and torque. The company uses intercoolers and electronically controlled timing systems for fuel-injection pumps. With other changes, there's an increase from 127 to 135 horsepower and 214 to 253 pounds feet of torque.

Nissan Diesel America. A new UD 1300 Class 3 truck has a GVW of 13,000 pounds, an increase of 1,400 pounds over its 1991 equivalent. Payload capacity is also increased by 1,175 pounds. A new engine for UD 1300 makes it the only Class 3 Japanese import powered by a turbocharged, in-line six-cylinder diesel. The low-cab-forward truck is intended for applications such as refrigeration, towing and recovery, air cargo, landscape and nursery, and pickup and delivery.

Suzuki. A more-powerful 16-valve, 1.6-liter, four-cylinder engine provides quicker acceleration for the four-door, four-wheel-drive Suzuki Sidekick. An all-new four-speed, electronically controlled transmission with overdrive becomes available.

Toyota. New front ends and redesigned grilles for 1992 trucks are "rugged and stylish," according to Toyota. They're incorporated in the firm's compact-size two-wheel-drive and four-wheel-drive pickups.

The compact 1992 4Runner, winner of top quality ratings among four-wheel-drive sport utility vehicles, gets a new grille, front bumper, and aero-type headlamps.

The 1992 Previa becomes the first minivan to meet several safety standards that are to take effect in coming years; they include a driver's-side air bag, a bolster to protect front-seat occupants' knees in a crash, a center-mounted rear stop lamp, and side and roof crash protection.

What's New In Mediums And Heavies

New features and new vehicles in Class 4 (14,001 to 16,000 pounds GVW), Class 5 (to 19,500 pounds), Class 6 (to 26,000 pounds), Class 7 (to 33,000 pounds), and Class 8 (33,001 pounds and up) include the following:

Ford. Production of the engines for the low-cab-forward CF-7000-8000 Cargo series of medium-duty trucks is being moved from Brazil to Ford's big truck plant in Louisville, Ky. Along with the change, many components are being re-engineered to be supplied by American vendors. The changes will increase commonality of parts with other Ford trucks, improving parts availability. The 7000 is powered by a 6.6-liter diesel, and the 8000 has a 7.8-liter diesel.

Freightliner. The new Business Class trucks were unveiled during a roll-out ceremony recently at Freightliner's truck plant in Cleveland, N.C. The new Class 6, Class 7, and "Baby 8" trucks are designed for midrange hauling in local and regional

Navistar International IDEA truck, left: *A workable, driveable vehicle that doubles as engineering test platform.*

Peterbilt Model 377, above left: *Features increased aerodynamics from retooled, sloping hood.*

Mitsubishi Fuso FH Series, above: *A Class 5 with more horsepower.*

trucking operations. They mark the first time the Freightliner nameplate has been placed on medium trucks, formerly built in Germany and named for the parent company, Mercedes-Benz.

The Cleveland plant builds six base Business Class models, intended for transporting general freight, beverages, furniture, heating oil, and refuse. All of the models are outfitted with 106-inch BBC (bumper-to-back-of-cab) conventional cabs with set-back front axles. They include the MB 60, MB 70, and MB 80 models powered by 6-liter, six-cylinder Mercedes-Benz engines. The FL 60, FL 70, and FL 80 models are powered by Cummins B-series engines.

In March, Freightliner introduced the "Classic," a custom-built, high-technology Class 8 truck designed to appeal to independent drivers and small fleets. The firm also has introduced a 64-inch raised-roof sleeper-box option for its FLD 120 conventional, offering more working room, storage, and convenience for those who prefer more luxury.

Freightliner is making electronically controlled engines standard equipment throughout its line as a result of its studies of the acceptability and performance of electronic diesel engines. Mechanically controlled engines continue to be available for customers who prefer them.

GMC. The company's new 6.5-liter turbodiesel has also been made available for the hot-selling 3500 HD Class 4 chassis cab. The engine is mated to a new five-speed manual transmission with power take-off access. Primary uses for the new powertrain will be local pickup and delivery, wreckers, and dump and hoist bodies.

The company announced the 1992 GMC Truck Topkick LoPro and Chevrolet Kodiak LoPro. They are medium-duty, low-profile chassis cabs for recycling, towing, local pickup and delivery, ambulance service, and lawn care—uses that require lower frame height for ease of loading and unloading. They can be equipped for a GVW up to 23,900 pounds, putting them in Class 6. GM's 6.0-liter V-8 provides standard power, and a 7.0-liter V-8 is optional.

Intercooled turbodiesels of 3.9 and 6.5 liters provide the new power plants for the GMC Truck Forward and Chevrolet Tiltmaster. The low-cab-forward trucks range from 11,050 to 32,900 pounds GVW.

Hino. The first Class 4 Hino vehicle in the U.S. arrives for 1992. The FA 15 features a 150-horsepower, in-line four-cylinder engine. Front-axle capacity is 5,500 pounds, and rear-axle capacity is 11,000 pounds. Three wheelbases range from 110.2 to 148.8 inches. Its primary applications are in air freight and other moderate-load uses.

Hino's low-cab-forward trucks have

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lower-rpm, higher-torque engines, with fuel efficiency boosted by turbocharged intercooling. Hino boasts that its engines—150, 200, and 225 horsepower—retain mechanical fuel-injection systems and have not been switched to electronically controlled fuel injection, which can be more costly to operate and maintain.

Isuzu. New four- and six-cylinder engines—also using intercooled turbocharging—improve horsepower, torque, and fuel efficiency. The new engine technology also features a timing and injection rate control system (TICS), a system of electronic diesel-fuel injection management. It provides better low-speed torque, with reduced emissions, greater economy, and a smoother, more powerful engine, according to Isuzu.

For 1992, Isuzu is offering 14,250-pound GVW models in both the cab and stripped-chassis NPR trucks, giving them a Class 4 rating.

Volvo GM FE Series, above: *Assembly in the U.S. began in January.*

Freightliner FLD 120 and FL 60, above right: *Provide features associated with parent company, Mercedes-Benz.*

Scania 340, right: *Sports new, superpowered 11-liter diesel.*

Kenworth. The special-edition T600A "Tour America" truck is modeled after the three Kenworths that went across the country in a fuel-economy test. The trucks traveled 7,000 miles and averaged 8 miles per gallon, or 30 percent more than most Class 8 trucks. The red, white, and blue T600A "Tour America" version features Kenworth's top-of-the-line, 60-inch VIT Aerodyne Sleeper.

Mack. More vendor-supplied components are being made available, including a wider choice of both Eaton and Rockwell axles. For 1992, automatic brake slack adjusters by Haldex Corp., of Blue Springs, Mo., are standard on all models.

The integrated electronic system, V-MAC, is Mack's answer to mandated emission controls. The system, standard on many vehicles, manages, controls, and provides information to the driver.

Mitsubishi Fuso. Class 5 models will get an intercooled engine upgrade to 155 horsepower from 145. Class 6 and Class 7 models will have the same engine, producing 190 horsepower. An additional engine in the heavier Class 7 model will produce 220 horsepower.

Mitsubishi Fuso made its FM 557 available as a Class 7 cab-over, single-axle tractor with a 55,000-pound gross combination weight rating (GCWR includes the weight of the tractor, trailer, and payload). It is intended for in-city uses such as freight pickup as well as beverage and food delivery. It will be powered by the 190- or 220-horsepower engine.

The firm recently made its FH100 Class 5 truck available with dual-steering capability for applications requiring a right-side driving position.

Navistar International. Last fall Navistar introduced its prototype IDEA truck, with futuristic advances that drew attention at truck shows. Its purpose is to improve driver comfort and evaluate new design concepts. Among its features is a larger-than-normal right door window to improve the driver's view of the area on the right side. "The IDEA truck is an engineering test platform," says Navistar's Rob Swim, manager of heavy-truck marketing. "Yet it's a workable vehicle."

In April, Navistar introduced a package called EEV+ (Energy Efficient Vehicle Plus). It combines leading-edge aerodynamics, integrated drivetrain components, and low-rolling-resistance tires. The manufacturer says it is designed to give buyers of its big International 9400 conventional and 9700 cab-over heavy tractor 4 percent or more fuel efficiency over similar International tractors.

Nissan Diesel America. A new Class 7 diesel tractor, the UD600T, is added to the lineup. Its GCWR of 60,000 pounds increases the rating of its predecessor by 5,000 pounds. The turbo intercooled diesel provides 240 horsepower from six in-line cylinders. Nissan also introduces its newest Class 7 models, the UD3000SD and the UD3000HD, the new designations for the former UD3000.

With an increased horsepower of 240, it is designed for heavier loads and rugged operations. The UD3000SD is suited for operators needing a truck with 30,000 pounds GVW and light chassis weight, without sacrificing payload capacity.

Nissan Diesel replaces its four-cylinder engines with sixes. A new FE6TA turbo intercooled diesel is an in-line six-cylinder with a horsepower rating of 210 for UD trucks in Classes 5, 6, and 7. Also new for Class 7 trucks is the NE6TA, a turbo intercooled diesel with six in-line cylinders providing 240 horsepower, an increase of 30 horsepower over 1991.

The GVW for the UD2600 is lowered to 25,995 pounds, which qualifies the truck for lower insurance rates.

Peterbilt. Changes in the Model 377 premium conventional for long-haul operations feature increased aerodynamics from a retooled, sloping hood. Peterbilt also is introducing a 70-inch-long sleeper.

Scania. The standard power plant for all heavy-duty Scania trucks will be a new, superpowered 11-liter diesel. It is expected to achieve about 320 horsepower and be more fuel-efficient than Scania's previous models.

Volvo GM. Assembly in the U.S. began in January for a Volvo FE series straight truck, aimed at the upper end of the Class 7 market. Called the FE42, the low-cab-over vehicle is also available in a tractor version, the FE42T. The FE42 features a heat-treated Class 8 chassis. The vehicles replace European-made Volvo FE6 and FE7 models. The forward-entry truck and tractor are designed for transporting beverages, oil, paper, refuse, and refrigerated products.

Western Star. The company is going international since Western Star Trucks of Australia purchased the entire Western Star Truck operations in Canada and the U.S. this past spring. In announcing the deal at the Mid-America Truck Show in Louisville, the company showed off its Phantom AT-X.

The cab interior, totally redesigned for driver comfort and convenience, is fashioned after a luxury RV. The main entrance is through the rear of the cab. Exterior features include anti-spray splash guards on the drive wheels, motorized and heated exterior mirrors incorporating CB antennas, and True-Track, which automatically reflects the back of the trailer when moving in reverse. NB

MANAGING

Declaration Of Independents

By Janine S. Pouliot

Frank Vitiello was desperate. He had only three weeks to finish a project for his Stamford, Conn.-based custom computer systems development business, Info-Mation, but he lacked adequate staffing to do it.

The current recession precluded hiring another employee, so he turned, instead, to the services of an outside contractor for computer programming.

The arrangement seemed perfect: He could compensate the independent only as long as necessary, and he didn't have to pay the Social Security, disability, and unemployment taxes required for regular workers.

But things didn't turn out the way he planned. "We were in such a hurry, we accepted the first resume that looked good," says Vitiello. "One week into the project the independent asked for an advance. Then things started to fall apart real fast."

The outside contractor began bringing her child to work, and staff members found themselves babysitting. Eventually it was agreed she could work at home, but her computer was broken. Vitiello lent her money to buy the necessary part and sent over an employee to install it.

By the due date, however, the project remained unfinished. Vitiello decided to let the contractor go—and was out two advances, the cost of the computer part, and three weeks of fees. "I had to work 14 hours a day to catch up," says Vitiello, "but this fiasco still hurt us. The project came in late, and we caught flak from the client."

Despite the dangers inherent in the outside-contractor relationship, for many entrepreneurs this association means the difference between new business and flat growth.

When suddenly faced with an unanticipated job, most managers would rather hire an independent than pass up the additional assignment. The trick is knowing how to make it work.

Sally Albert, director of human resources for Windham Hill Productions, Inc., a record company in Palo Alto, Calif., was delighted with her outside contractor. "We temporarily needed to replace our controller on maternity leave, so we went through an interim search firm, The Corporate Staff, in San Mateo," Albert says. She found an accountant with the experience necessary to step right into the job. "We only needed him for September through December, which worked out perfectly since his private tax practice began heating up in January," she says.

In addition, because the independent's time was not taken up with daily meetings and long-range planning, he was free to concentrate on the projects at hand. "We discovered we could use him part-time and still keep all bases covered," Albert says.

The freedom to decide when and how often to use the independent is particularly valuable to employers whose activities cover a wide spectrum. Rather than settle on an in-house jack-of-all-trades/master-of-none to handle a variety of functions, you can pick and choose the person who best satisfies a distinct need and then contract out that specific work.

What's more, the savings multiply when you use independents. You eliminate not only permanent salary expense but also vacation and sick pay. You also economize on internal paperwork. Gone are personnel and medical record keeping, performance reviews, and on-the-job training, since most contractors hit the ground running.

And because the outside contractor is not considered an employee, the business is not obliged to collect his or her federal, state, or city income tax, or file the appropriate tax returns. Savings for the business can mount up, particularly considering the drain at quarterly tax time.

If it all sounds so good, why bother to hire permanent employees at all? Shouldn't every worker be an outside contractor? Not necessarily. Often the negatives can substantially outweigh the benefits.

The flip side of the flexibility to hire and fire on demand is the lack of control. Fear of job loss keeps many workers on the straight and narrow.

Another problem with relying on outsiders is that they're not always available when you want them. If, instead of hiring the staff required to handle peak work loads, you depend on contractors, you may find yourself short-handed at critical periods. Finding a substitute isn't always easy when your operation takes time to learn or is highly specialized.

A business's greatest exposure, however, is in the area of payroll taxes. The IRS estimates that it loses $1.6 billion a

PHOTO: © PETER TEPPER

Computer-company *president Frank Vitiello with systems consultant Annie C. Erner.*

Janine S. Pouliot is an accountant and articles editor of Management Accounting *magazine.*

Using independent contractors can be a way to take on new business without adding overhead. But be careful in making your choice.

year in revenue because it believes many employees are mislabeled as independent contractors. It has begun, therefore, to scrutinize just who really qualifies for this classification.

Firms that inappropriately name employees as independents face severe consequences. Back-due Social Security and unemployment taxes will be levied against employers found in violation. And if the company fails to make good on the balance due, the individual responsible for classifying the worker as an independent can be held personally liable for the full amount.

Even the contractor can come after you. If the IRS decides that the independent is an employee after all, he or she is empowered to claim the benefits an employee normally would have received.

Ken Rem, a tax partner in the Detroit office of Price Waterhouse, says that ascertaining who is an outside contractor and who is an employee isn't always cut and dried. "There's no bright line that sets them apart," he says. To be on the safe side, Rem recommends that managers adhere strictly to the specification classifications furnished by the IRS in its Revenue Ruling 87-41.

Following is a summary of the criteria the IRS uses in determining whether a worker is actually an employee:

1. The worker must comply with your detailed directions about when, where, and how to work. (That is, he can't set his own hours or mode of operation.)

2. It is necessary to provide training before he can perform his duties.

3. You have established a prolonged, ongoing relationship.

4. He is required to devote all of his work time to your operation rather than accept additional clients.

5. He is paid exactly like other staff. (In other words, he's on your payroll.)

6. He must use your tools or materials rather than his own.

7. You want him where you can see him—at your place of business. (Independents often work at their own office or shop.)

8. His performance must be checked periodically as the job progresses.

9. He does not realize a profit or loss as a result of his services.

10. He has the right to end his relationship with you at any time without incurring liability. (An independent is usually legally obligated to complete an assignment.)

The issue is job control, Rem says. If you have it, you're the boss. But if you judge incorrectly, you can be penalized up to 100 percent of the unreported taxes. "The IRS has a whole arsenal of weapons to ensure compliance," Rem adds.

Jordan Rosemen, a tax partner at Arthur Andersen in Dallas, says that employers must no longer answer to the IRS alone. "The Department of Labor is getting involved because regular employees qualify for benefit plans falling under their jurisdiction." Consequently, managers and business owners may be subject to audits by two governmental bodies.

Once you're convinced a worker is really an independent, you are required to fill out two types of tax returns by Feb. 28 of the following year. These returns are so simple that the IRS estimates they should take just 13 minutes to complete. But if you fail to file, you can be penalized \$50 for each form not filed, up to a maximum of \$100,000 for small businesses, or \$250,000 for larger companies.

The first return, 1099-Misc. (Statement for Recipients of Miscellaneous Income), is sent to every independent whose fee totaled \$600 or more. A copy is also sent to the IRS accompanied by the second return, Form 1096 (Annual Summary and Transmittal of U.S. Information Returns). Basically, the only information required is the worker's Social Security number and the amount paid. The purpose of these returns is to notify the IRS that someone *else* owes them income taxes—namely, the independent.

For the right task, an independent can be a time- and money-saver. Put some effort into choosing your contractor, and then make sure you've kept your contractor in fact independent. NB

To order reprints of this article, see Page 69.

Benefits Update

Soaring workers' compensation costs; the multimedia future for patients' records; legislative barriers to managed care.

By Roger Thompson

WORKERS' COMPENSATION

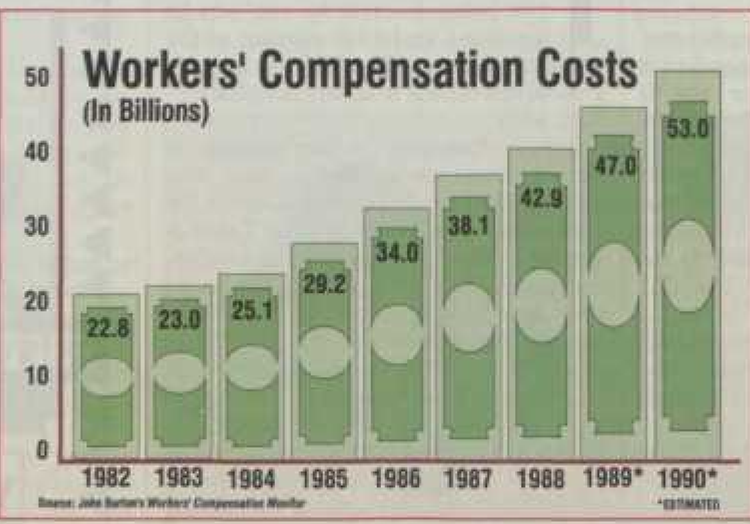
Costs Hit Record High

Workers' compensation insurance cost U.S. employers an estimated $53 billion in 1990, more than double the figure paid out just six years earlier, says John F. Burton Jr., editor of *Workers' Compensation Monitor*, a bimonthly newsletter.

The sharp rise in costs is attributed to two major forces—medical inflation and increases in workplace injuries and illnesses. Neither cause shows any signs of abating, adds Burton, a Cornell University professor of labor economics.

Medical costs as a percentage of workers' compensation benefit dollars ballooned from 33 percent in 1980 to 39 percent in 1988, the latest year for which figures are available. The increase reflects the sharp rise in health-care expenditures during the period, especially those covered by workers' compensation. While national expenditures on health care rose 117 percent, health expenditures under workers' compensation grew by 191 percent.

"I don't see any reason for health-care costs [under workers' compensation] to slow down," says Burton. State laws make it difficult, if not impossible, for insurers and employers to apply cost-containment techniques such as deductibles and utilization review to workers' compensation medical benefits. "The rest of the health-care system is much further along in using managed care to cut costs," he adds.



A surge in workplace injuries and illnesses also appears to be a major contributor to escalating workers' compensation benefit costs. Since 1983, the number of lost workdays per 100 workers has risen to 78.7 a year from 58.5, according to figures from the Bureau of Labor Statistics.

Burton cautions that the rise may in part reflect better data collection rather than higher injury rates. However, injuries related to repetitive motion clearly have "taken off in the last few years," says Burton. "I think we have been caught by surprise by the increase in these injuries."

Rapidly rising costs have put pressure on workers' compensation insurers to raise rates.

Among 19 leading types of property/casualty insurance, workers' compensation turned in the worst financial performance last year. As a result, "insurers this year are making a strong case for rather substantial rate increases in a number of states," says Burton. ■

MEDICAL ADMINISTRATION

Computerizing Patient Records

Modern medicine is the epitome of high-tech sophistication, except when it comes to patient records, where most information still is handwritten and stored on pieces of paper. As a result, records are lost or unavailable when needed for up to 30 percent of patient visits. And even if the records are available, roughly one-third of the information they contain is illegible, says Richard S. Dick, research director for a recently released study on computerized patient records.

The study, conducted for the National Academy of Sciences' Institute of Medicine, concluded that the nation's health-care providers should embark on a 10-year plan to convert all patient records to a computer-based system that promises to cut costs and improve patient care. "The future patient record will be a computer-based, multimedia record capable of including free text, high-resolution images, sound, full motion video, and elaborate coding schemes," says the study.

Medical care would improve because doctors and hospitals would have more complete and accurate medical histories than currently available. For example, Dick points out that the average hospital patient takes nine different drugs prescribed by three different doctors. Without computerized records, there is no assurance that one doctor knows what the other two are prescribing.

A computerized system also would allow researchers to pool clinical information into regional or national databases to conduct health-policy research. For the first time, researchers would have vast information on which to base studies of clinical effectiveness and appropriateness of treatments.

Computer-based records would save money by eliminating duplicate record keeping and medical tests. In some studies, an estimated 11 percent of medical tests are repeated because results are lost or unavailable. Computerized records also would speed processing of routine reports and insurance claims.

Dick says medicine "is one of the most information-intensive professions, yet it is the last major holdout in resisting computer technology."

Jeffrey H. Joseph, the U.S. Chamber of Commerce's vice president for domestic policy, recently told a Senate committee that computerized patient records "hold immense potential to facilitate improved decision-making everywhere from the bedside up through the formulation of national health policy." ■

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MANAGED CARE

States Hamper Cost Cutting

At a time when companies increasingly are turning to managed care to cut health-care costs, a growing number of states are passing laws that could erode the potential savings derived from managed-care techniques.

"Fifteen states have passed laws to impede utilization review, and 20 have passed laws to hamper the ability of HMOs [health-maintenance organizations] and PPOs [preferred-provider organizations] to do selective contracting with doctors," says Edward Porcaro, a Washington, D.C., health-care consultant.

Among the states that have created barriers of some sort to managed care are California, Colorado, Connecticut, Florida, Illinois, Massachusetts, Michigan, New Jersey, North Carolina, Pennsylvania, Texas, Virginia, and Wisconsin.

No fewer than 195 so-called "anti-managed-care" bills have been introduced in state legislatures this year, and several have been enacted, according to a recent report commissioned by the Health Insurance Association of America (HIAA), a Washington, D.C., trade group representing health insurers.

Medical groups, hospitals, and other health-care providers are behind the campaign to curb managed care, says Porcaro. They maintain that managed care often denies patients the right to choose their doctors, can reduce the quality of care, and creates a huge administrative burden by allowing utilization-review firms to second-guess doctors' decisions.

Business groups typically support managed care, arguing that it weeds out inappropriate and unnecessary medical care, thereby saving money. Several leading business and insurance organizations have joined a new coalition, the Managed Care Working Group, to combat anti-managed-care initiatives. Porcaro was hired by the Washington Business Group on Health early this year to form the coalition. Its members include the U.S. Chamber of Commerce, the Blue Cross and Blue Shield Association, and HIAA.

Porcaro says the coalition aims to educate state lawmakers about the value of managed care. For example, the coalition strongly opposes "any-willing-provider" laws that would require HMOs and PPOs to accept any doctor who meets certain certification requirements.

A recent study by the Wyatt Co., a benefits consulting firm, concluded that forcing PPOs to accept any doctor who meets established selection criteria would more than double the number of doctors in a typical organization, pushing up administrative costs by 34 percent.

The additional doctors also would dilute the patient load per physician and drive up claims costs by 8.8 percent, according to the Wyatt study.

Anthony Masso, director of managed care at HIAA, says, "Legislators can cast their votes either to support the financial interests of physicians or to promote the availability of lower-cost, quality health coverage." ■

FLEXIBLE BENEFITS

More Help For Small Companies

Our July cover story on flexible benefit plans prompted a flood of requests for more information at the Washington office of the Employers Council on Flexible Compensation. Executive Director Kenneth E. Feltman is an outspoken advocate of flex for companies of all sizes. Unfortunately, when calls and letters began to pour in from *Nation's Business* readers, the ECFC didn't have any information designed specifically for small companies. Now it does.

The ECFC has prepared a 55-minute audio tape titled "Taking the Mystery Out of Flex." It is designed to introduce small companies to flexible benefits and covers several key topics, including reasons for switching to flex, flex-plan design, administration, communication, and legal issues. The tape is no substitute for obtaining advice from a qualified flexible-benefits consultant or lawyer, but it will get you started.

The tape costs $34.95, plus $4 for shipping and handling. To order, call Audio Visual, Inc., at (301) 322-5600. ■

HEALTH INSURANCE

Premiums Continue To Soar

For the third consecutive year, health-insurance premiums will increase 24 percent or more for traditional types of coverage, according to a survey by Noble Lowndes, a benefits consulting firm.

Cost increases will be somewhat lower—between 20 and 25 percent—for health plans that restrict employees' choice of physicians under so-called preferred-provider networks.

The cost projections are based on a survey of 15 major health insurers, including Aetna, Blue Cross and Blue Shield, Prudential, and Metropolitan Life.

"In the short term, I don't see any relief in sight from upward price pressure in the low 20s [20 percent or somewhat more]," says Bill Gibson, a senior health-care consultant with Noble Lowndes.

Medical inflation is the largest component of the overall rate of increase in premium prices, accounting for 9.5 percent in the 24-percent overall cost escalation this year. In fact, the cost of hospital outpatient services has risen 35 percent since January 1990, says Gibson. By contrast, the Consumer Price Index rose 6.1 percent in 1990 and is expected to rise less than 4 percent this year.

Other factors pushing up costs include greater reliance on high-technology medical advances, increased use of all health services, and cost shifting from Medicare and Medicaid programs to health plans sponsored by employers. In contrast, the rate of increase from treatment costs for AIDS, mandated benefits, psychiatric care, and substance abuse had the least impact on rising costs—just 1.3 percent.

Gibson maintains that managed-care plans, such as health-maintenance organizations and preferred-provider organizations, remain the best hope for taming rising costs. "The traditional indemnity health plan is becoming more and more scarce," says Gibson. "The big question is how effective managed-care programs turn out to be in controlling costs." NB

Why Health-Insurance Renewal Costs Are Up 24 Percent In 1991

Medical Inflation	9.5%
High-Tech Diagnostic Advances	3.8
Cost Shifting To Private Insurance	3.0
Adverse Selection	2.5
Higher Utilization	2.0
Higher Deductibles And Coinsurance	1.9
Demographic And Social Shifts	1.3

Source: Noble Lowndes

Moving Fast By Standing Still

"You can innovate by not doing anything," Southwest Airlines' Herb Kelleher says, "if it's a conscious decision."

By Charles A. Jaffe

PHOTO: © MICHAEL KEZA

Kelleher poses *on a Friday—Southwest's "funwear" day.*

Back in the 1970s, when airline deregulation first allowed Southwest Airlines to fly outside of Texas, the company had a problem: People were throwing away its tickets.

At the time, Southwest issued only cash-register receipts that looked more like bus tickets than a typical multilayered airline pass. New customers, unfamiliar with the ways of Southwest, were paying for tickets only to run them through the wash, lose them in briefcases, or, worse, throw them away.

And those customers were complaining.

"We kept getting letters saying, 'I didn't know this was a ticket,'" recalls Herbert D. Kelleher, Southwest's chairman, president, and chief executive officer. "People were really upset, and we had to do something."

So Southwest executives proposed doing what every other carrier had done: purchasing a multimillion-dollar system to issue "normal" tickets.

"We're in a meeting talking about this fancy machine," Kelleher says, "when one of our guys speaks up and says, 'You know, I don't think we need all of this. Why don't we just print, in big capital letters, 'This is a ticket,' on what we use now.'

"That's what we did," says Kelleher. "Instead of spending about $2 million to conform to the rest of the industry, we just fixed our machines so they would print 'This is a ticket.' It worked; we saved a bundle.

"And once the customers got used to us, they didn't mind our tickets; they liked our low fares."

Dallas-based Southwest, the nation's eighth-largest carrier—it has 8,700 employees and 114 planes, and it serves 34 airports in 32 cities in 14 states—has never conformed to industry norms. Likewise, Herb Kelleher will never fit the standard profile of a chief executive. He doesn't want to be like everyone else; call him or the company a renegade, maverick, or (as one financial analyst did) "barroom brawler," and Kelleher lights up as if he'd just won the lottery.

Being different is what makes his people tick and his airline go. By combining inspiration and insanity in what he calls "management by fooling around," Kelleher, 60, has created a work atmosphere that would make many a traditional executive cringe—which is just the way he wants it.

It's a cold, gray February morning, and Kelleher is due at a meeting at the World Trade Center Club in Manhattan. A financial analyst, one of a group there to see Kelleher, holds the elevator and waves for him to join her on the 110-story ride to the top.

Kelleher steps onto the elevator, and the analyst greets him with a long hug and a big kiss. "So Herb," she says, "if things keep going this way, are you going to run the only airline that's left?"

It's an unusual reception for any chief executive, but particularly for Kelleher, who runs a company that, at one time,

most analysts simply did not understand. Southwest does not operate with a hub-and-spoke system; it offers direct service. It is the only major carrier that is not on a computerized reservations system. There are no seat assignments and no meals on Southwest flights. It has no tie-ins with other carriers to supplement its route system. And it was the last big airline to create a frequent-flier program.

"You can innovate by not doing anything, if it's a conscious decision," Kelleher says. When other airlines set up hub-and-spoke systems, he explains, "we said we would continue what we had been doing. As a consequence, we wound up with a unique market niche: We are the world's only short-haul, high-frequency, low-fare, point-to-point carrier.

"By not changing, we wound up with a market segment that is peculiarly ours, and everything about the airline has been adapted to serving that market segment in the most efficient and economical way possible."

The financial community, at first, didn't believe that. Then it looked at the results.

During the 1980s, Southwest's annual passenger traffic count tripled; at the present pace, the company will carry more than 20 million passengers this year. At the end of 1989, Southwest's operating cost per revenue mile—an industry standard for cost-effectiveness—was just under a dime, about 5 cents per mile cheaper than the industry average.

While the airline industry was losing about $4 billion last year because of the recession and a meteoric rise in fuel prices, Southwest was earning $47.1 million on revenues of almost $1.2 billion. The company did lose money during the last three months of 1990 and the first quarter of '91, but nobody seems worried about Southwest's profitability; through the first half of this year, Southwest earned $2.35 million on operating revenues of $607 million. The company simply will make less money this year, at a time when most of its competitors will lose money.

"I hope we're not going to be the only ones left," Kelleher responded to the financial analyst, as the World Trade Center elevator rose toward the top floor. "I'd have no one to make fun of, and you guys would have nothing to do but figure out my mistakes."

Southwest Airlines was conceived in 1967 on a napkin.

Kelleher, a lawyer, had moved south to establish roots in his wife's native San Antonio. Rollin King, a client who was breaking up his small commuter airline, asked Kelleher to an afternoon meeting to discuss a new venture. He doodled a triangle on the napkin, labeling the points Dallas, Houston, and San Antonio; the proposal was for a low-fare, no-frills carrier.

Kelleher and King started Southwest. The new company spent more than three years in litigation, battling carriers that did not want it to get the right to fly. Southwest did not win that right until 1971. It went public in 1975.

In 1978, Lamar Muse stepped down as president and CEO, and the board of directors tapped Kelleher, then corporate counsel. Although he had no managerial experience, Kelleher had intimate knowledge of the airline's legal matters and had played a vital role in developing the airline.

PHOTOS: T. MICHAEL KEZA

Like all Southwest *executives, Kelleher spends at least one day every quarter doing some other job.*

"I was apprehensive, just as I expect everyone was," Kelleher recalls. "So I got everybody together for a meeting. And the first thing I told them was not to worry because I had the most important executive ability down cold . . . I've always been able to make erroneous decisions very quickly.

"Everybody laughed, and we went on our way."

Kelleher's way might be described as the "Iron Clown" approach to business. His big, toothy grin, self-deprecating remarks, and room-dominating hee-haw laugh are as much his trademarks as the cigarettes he chain-smokes. But between the giggles and the guffaws—at those times when he isn't breaking into song or regaling an audience with his sledgehammer wit—Kelleher is a workaholic, putting in 14-hour days seven days a week, almost all year long. He has been said to hold power tightly and keep big decisions to himself, although he insists he is letting go. He still reads every letter the company gets from passengers and employees.

And he is having fun. Kelleher can be zany, and it rubs off on Southwest's employees. Flight attendants have been known to give preflight instructions a la Elvis Presley or television's "Mister Rogers." Friday is "funwear" day at Southwest, although employees are liable to wear costumes to work for almost any occasion.

Make no mistake about the laughs along the way, though. They are all designed to move the company inexorably toward better service, revenues, and profits. "Humor rubs off on people," Kelleher says. "We don't hire people to be funny, but we want them to keep their individuality, which makes them feel better about work and, in turn, makes them happier and more productive.

"A lot of people think you're not really serious about your business unless you act serious. At Southwest, we understand that it's not necessary to be uptight in order to do something well.

"We call it 'professionalism, worn lightly.' "

Kelleher doesn't recall the exact day, just that it was sometime in the late 1970s, when Southwest was in the throes of life-or-death low-fare skirmishes every day. "I came home and I was just beat, tired, and worn out," he says. "So I'm just kind of sagging around the house, when my youngest daughter comes up to me and asks what's wrong. I tell her, 'Well, Ruthie, it's these damned fare wars.'

"And she cuts me off right there and says, 'Oh, Daddy, stop complaining. After all, you started 'em.' "

Actually, Kelleher is not the father of low fares. They are just his weapon of choice.

At Southwest, the average turnaround time for a plane—unloading, reboarding, and departing the gate—is about 15 minutes, or one-third the industry average. Southwest says it keeps its turnaround time low by having no assigned seats and by boarding in groups of 30. Kelleher estimates that the company would have to expand its 114-plane fleet by at least 25 planes—at a cost of nearly $600 million—if it flew with the average 45-minute turnaround.

"We learned early on that our planes

make money in the air, not sitting at the gate," Kelleher says. "While a hub-and-spoke system is an efficient way to fill a plane, it isn't so good at using a plane."

The quick turnarounds usually enable Southwest to offer more flights than the competition—a whopping 83 daily flights between Dallas and Houston, for example—and at lower fares. "That's why we don't need the computer reservations systems," says Kelleher. "People don't ask 'How do I get from Dallas to Houston,' they say 'Put me on the 9:15 Southwest flight.' "

The fares are low because Southwest holds its operating costs well below those of the average carrier. One cost-saving strategy is to operate only one type of plane—the Boeing 737—which minimizes training and inventory requirements and gives the airline flexibility to substitute aircraft and reschedule pilots. Southwest's bottom line benefits too from its short turnaround time at the gate and from its workplace atmosphere, which generates the industry's highest worker-productivity levels.

At a time when most carriers are struggling, Southwest is expanding; some competitors have left markets wide open to Kelleher's crew, noting how difficult it is to fight Southwest's low fares.

"Throughout everything that has happened in our industry, Southwest has maintained its strategy," Kelleher says. "Low fares aren't a promotion for us, the way they are for the other guys; low-fare flying is our bread and butter."

Not too long ago, Kelleher got hit on the head by a cargo-bay door; an agent had told him it would happen. It occurred the day he spent handling baggage. Every quarter, Southwest managers take at least one day to work in some other job—as a gate agent, baggage handler, flight attendant, or you-name-it. Kelleher, having received a letter about cargo-bay doors that slipped and hit workers on the head, decided to see for himself.

"I went out in the field, loading cargo and watching out for the doors," Kelleher recalls. "Then I went to maintenance and told them to change [the mechanism that held the door up]. I knew we had a problem. I'd seen it. The more time I spend with our people, the more I learn about our company."

Whether it's singing and dancing on video during employee orientation, or knowing most employees by name, or appearing in Southwest's sometimes-wild television commercials, Kelleher has used his personality and charm to wow workers and earn their trust and loyalty.

When Southwest opened a new destination, workers begged the company for more to do; they formed a "Boredom Club" to pass the time. "It's a wonderful

A lot of people think you're not really serious about your business unless you act serious. We understand that it's not necessary to be uptight in order to do something well.

thing to see when your people work hard and want to do more," Kelleher says.

The 15-minute turnaround time "is no technological trick," Kelleher says. "Basically, it's willpower, the will of our people and their pride in doing it is what gets it done."

Kelleher's relationship with employees—he's been known to visit sick workers, even those at the lowest level of the company, and many employees call him "Uncle Herb"—sounds incredible in a business where union strife and strained relations are the norm. To ensure that those problems don't permeate Southwest, the company rarely hires workers away from other carriers. Kelleher doesn't want to inherit another airline's problems.

"We tell our people that we value inconsistency," Kelleher explains. "By that, I mean that we're going to carry 20 million passengers this year and that I can't foresee all of the situations that will arise at the stations across our system. So what we tell our people is, 'Hey, we can't anticipate all of these things, *you* handle them the best way possible. *You* make a judgment and use *your* discretion; we trust you'll do the right thing. If we think you've done something erroneous, we'll let you know—without criticism, without backbiting."

The essential ingredient of Southwest's success may be the motivation that Kelleher encourages among employees: "I talk to people about leadership, rather than managing or administrating, and I think there are key, substantive differences. What we try to breed at Southwest Airlines are leaders, not managers or administrators. We want everyone to be a leader in their job; you're a leader not just in what you say, but in the way you listen and respond to others, in what you do, and, most importantly, how you do it. A baggage handler who does his job promptly is as much a leader as I am, setting an example and showing the others how to do it properly. That's why we value individuality: It gives us leaders.

"And, yes, it makes for a whole lot of fun." NB

QUALITY

Quality For Cities

The total-quality management movement works at the municipal level.

By Joseph Sensenbrenner

As municipal governments struggle with recession-induced revenue losses, small businesses face the prospect of higher local taxes or reduced services.

Strapped communities can't turn for help to federal or state governments, which are struggling with serious financial problems of their own.

Communities are not limited, however, to choosing more taxes or less service. They can find the help they need in the recent hard-won lessons of American industry.

In the 1970s and '80s, fierce competition from Japan and other nations inspired many U.S. businesses to examine Japanese methods and re-evaluate their own production techniques.

Japanese companies succeeded using techniques of quality improvement and statistical control pioneered by industrial consultant and statistician W. Edwards Deming, the American who transformed "Made in Japan" from a label for inferior products into a badge of quality.

The essentials of Deming's total-quality management are common sense: Seek to perfect the system rather than the individual. Focus on the needs of the customer. Use teamwork, and break down departmental barriers. Involve more of the work force in solving problems using relevant data. Drive out fear, and encourage a proud sense of ownership of one's job.

Deming's approach can be applied to the largest, most complex service industry in the U.S.—local government.

The same powerful techniques that Ford and Westinghouse used to make better cars and electric-generating equipment can be used by local governments to provide better police protection, street maintenance, and health services, often at lower cost to the taxpayers.

This can be done. We did it in Madison, Wis., where I was mayor from 1983 to 1989.

The Madison commitment began modestly with a pilot project to reduce repair costs and downtime of city vehicles. After a few years, a citywide steering committee that included managers and workers was efficiently running 20 to 30 service-improvement projects at a time.

The city also hired the first full-time municipal quality-improvement coordinator in the United States and formed a network of local quality-improvement partners. They ranged from Rayovac Corp. to the University of Wisconsin's School of Business and its Center for Quality and Productivity Improvement.

The cost of administering the program went from \$5,000 in 1984 to just over \$100,000 a year—moderate in view of the \$1.7 million in savings over six years. In some instances, short-term costs increased when a problem was discovered. For example, taking the city vehicle fleet into preventive maintenance was like going to the dentist for the first time in a decade.

But the big investment involves consulting, training, and a commitment that has to start at the top.

Among the projects under the quality program:

Trash collection *and other services got better when total-quality management arrived in Madison, Wis.*

PHOTO: © BRENT NICASTRO

EVEN IN 1892 SLOW ROASTED COFFEE WAS QUICK TO PLEASE.

¶ In 1892 folks took pride in everything they made, from the jam they put up to the food they put in front of their families. Part of that pride came from a stubborn insistence on taking the time to do things right.

SLOW ROASTED™
The Way Coffee Used To Be

¶ Maybe that's why coffee was slow roasted back then for an especially rich flavor and aroma.

¶ Slow roasting is a labor of love that can take up to six times longer than is common practice these days. The result is an uncommonly good cup of coffee.

¶ You might not have expected to come upon a genuine slow roasted coffee at your grocer's. But Maxwell House remembers slow roasted coffee. And its lusty taste that recalls simpler, less hurried days. You will find it in Maxwell House® 1892™ Slow Roasted Coffee.

¶ Pick up a can next time you go shopping, and savor the rich taste and aroma of slow roasted coffee. It's as quick to please today as it was 99 years ago.

■ The police chief and 50 officers volunteered to create an experimental police district based on teamwork and communication with the residents of the district. For example, the officers responded to a community appeal for stronger traffic enforcement by more than tripling the number of speeding citations issued every month.

Improved information transfer between shifts kept overtime incurred by officers who were retained on duty beyond normal hours to only 200 hours one year, compared with an average of nearly 1,000 hours run up by the other districts.

In other police department programs, officers elected their captains and lieutenants, set their own schedules as a team, and surveyed neighborhoods to find what the residents really wanted the police to do. The result was substantially improved productivity and morale.

■ Trash-collection employees studied the pattern of their injuries, and then they made the workplace safer and reduced lost-time injuries. Among the solutions: They asked residents to put refuse in more manageable bundles, changed the specifications on new equipment to make lifting safer, and developed more-rigorous physical examinations for new employees.

■ Seven departments that needed city maps for their own purposes jointly created a computerized database and uniform map bank.

■ The Community Services Department cut its backlog of applicants for financial assistance for child care from 200 to zero, at no additional cost to the city, by analyzing and streamlining its procedures for determining eligibility.

■ Front-line union workers found ways to purchase more-durable snowplows and other equipment, reducing a 28-step purchasing process to three steps. Average turnaround time for repairs dropped from nine days to three at a savings of $700,000 a year.

■ City workers became data-gatherers in cost-analysis projects. In one such project, employees of the streets division compiled data for cost comparisons between hauling residential brush to a central site and purchasing equipment to chip it at curbside. A decision in favor of curbside chipping enabled more frequent removal of brush.

None of these projects relied on an unproven hunch, a single individual, or a dictate from on high. They were teamwork decisions based on solid data and documented customer preferences. The best ideas often came from the bottom up.

"The culture change is nothing more than people coming to work and saying, 'The bosses care about what I think,'" says Curt W. Reimann, director of the Malcolm Baldrige National Quality Award. He is also associate director for quality programs for the U.S. Commerce Department's National Institute of Standards and Technology.

"The human resource—when unleashed, empowered, coached, and involved—will surprise management in terms of what it can produce," Reimann says. "They improve in all aspects of performance—turnover, morale, absenteeism, and safety—but they must know that their interests are of paramount importance to management."

Such basic change is possible, even in a city like Madison, with its "weak mayor" system, a 22-member nonpartisan City Council (meaning no partisan bloc of support for the mayor's programs), a civil-service system that includes all midlevel managers and most department heads, and 14 different labor unions representing 1,650 of Madison's 2,300 employees.

Many local governments could eliminate or reallocate 10 to 25 percent of their program costs within three to five years if they would adopt the quality approach. Such savings are routine for private companies that have embraced it. Large savings are also showing up in public agencies, according to GOAL/QPC, a quality-improvement research and consulting firm in Methuen, Mass.

Saving tax dollars is just one benefit. Another is the installation of a concept of service in government.

Says quality consultant Blanton Godfrey, president and CEO of the Juran Institute Inc., in Wilton, Conn.: "People are making comparisons. They can call American Express on Monday and get a credit card on Friday, but it takes six weeks to get a driver's license renewed. You might not think that the Division of Motor Vehicles competes with American Express, but it does in the mind of the customer.

"Changing expectations are happening everywhere in products and services. Now people are beginning to turn to government and say, 'Why can't we get it from you, too?'"

It requires, in part, knowledgeable business people with heightened expectations of what government is capable of doing. Equally important is business help in supporting quality-improvement efforts. (See the box at left.)

There are caveats, however. Quality management does not happen overnight.

You want to make fundamental changes in the way that people do their jobs, and that is seldom easy. It can be even more difficult at the community level because of the magnitude of the change required.

You must also realize that quality improvement alone cannot solve a local government's fiscal crunch. But it can reward your community with a substantial improvement in the long-run return on tax dollars. NB

Joseph Sensenbrenner, mayor of Madison, Wis., from 1983 to 1989 and formerly president of the Wisconsin League of Municipalities and chief of staff to the governor of Wisconsin, now runs Sensenbrenner Associates, Inc., in Madison.

Guidelines For Helping Government

These recommendations are designed to help business people who are interested in seeing total-quality management in their local governments:

1. Clarify your motivation. Determine whether your primary interest is cost reductions; civic pride; improvement in services, the business climate, or the quality of a specific service; or something else altogether.

2. Contact others with similar goals. They may be in your company or community. Sources of information on how some other localities have launched community quality efforts include Barbara Hummel at the Madison Area Quality Improvement Network, 1010 Mound St., Madison, Wis. 53715; (608) 256-5300; and Don DiPlacido at the Erie (Pa.) Excellence Council, c/o Erie Area Chamber of Commerce, 1006 State St., Erie, Pa. 16501; (814) 454-7191.

3. Be realistic. Concentrate on public-sector areas that offer the best chances for success. Assess not only the private-sector and public-sector resources and support available to achieve your goals but also the potential limitations.

4. Establish standards. Set up checkpoints to measure progress throughout the life of the project to help spot problems before they become serious.

5. Develop an overall plan. Elements might include participation by public employees in training sessions at your plant, company-sponsored scholarships or training courses for government workers, or volunteer service by business people in mentoring public officials in their quality-improvement efforts.

6. Keep the community informed. Maintain awareness and support through regular progress reports.

It's Your Money

A monthly survey of strategies, tactics, tips, and suggestions to help you with your personal finances.

By Peter Weaver

INVESTING

Global Investing For The '90s

"The key to successful investing in the '90s," says John P. Dessauer, author of *Passport to Profits* (Dearborn Financial Publishing, $27.95), "is not putting all your eggs in the American business basket." Dessauer, an Orleans, Mass., securities analyst, believes you should have at least 25 percent of your stocks in companies outside the United States.

Why? "Because tough, global competition is the key these days, and you just don't know where, in what country, a tough, internationally competitive company is going to develop."

The best way to get going in the international securities game, Dessauer says, is to start with a mutual fund that invests exclusively in overseas stocks.

"Read the quarterly reports," Dessauer says. "Very often they will write about a company that is doing very well." Those reports can act as a guide to picking out some of your own stocks. Many foreign stocks are traded in this country through American Depository Receipts (ADRs), which can be purchased on the New York Stock Exchange and other exchanges.

What about currency fluctuations?

PHOTO: DR. IAN LLOYD—THE STOCK MARKET

Should foreign stocks—*this is Singapore—be in your portfolio?*

"Don't worry about the ups and downs of the dollar," Dessauer says, "because what is going to drive the stock is how well the business does—not the currency."

More and more, businesses will have to do well abroad as well as in their own countries, Dessauer says. He suggests looking at product labels when you go to a store.

"You'll be shocked," he says, "at how many items are made by companies whose headquarters are not in the United States."

To make his point, he rattles off these sample overseas investment prospects: Nestle, Unilever, British Petroleum, Royal Dutch Shell, Benetton. ■

AUTOMOBILES

Getting A Pro To Buy Your Next Car

You may have read the item about buyers' brokers for homes last month and wondered if it might be a good idea to get a pro to buy your next car, too. It could reduce the time you spend visiting dealers and bargaining with salespeople.

A professional buyer pinpoints the dealer's cost for the make, model, and style of car you want, tacks on what he considers a reasonable profit, and then just "orders" the car from the dealer. The professional buyer sometimes can find the best financing deal.

Peter Weaver is a Washington-based columnist on personal finance.

"It really takes a professional to figure out exactly what the dealer paid for the car you're buying," says James A. Boerger, author of the American Automobile Association's *Car Buyer's Handbook*, which can be purchased through local AAA clubs and bookstores for $9.95. Boerger, who also runs his own Washington-area car-buying and leasing service, says it's important to determine "the dealer's net cost so you can calculate how much you're willing to pay above that."

A number of automobile pricing services, Boerger says, will give you the manufacturer's cost but not any current rebate or dealer incentives, which can lower the dealer's net cost and so give him more flexibility in making a deal.

Some professional car buyers are listed in the Yellow Pages under "Purchasing Services" or "Automobile Brokers." Services that choose the car, get the lowest price above dealer cost, and do all the negotiating charge $150 to $300, depending on the purchase price. ■

FAMILY AFFAIRS

Elder Care—From Afar

Here's the situation:

You live in city X, and your elderly mother or father lives some distance away in city Y. Your parent begins to have physical or cognitive problems and probably will require periodic monitoring and assistance. You can visit your parent to assess the situation and maybe get help lined up, but you can't keep hopping a plane every time a problem arises and decisions have to be made.

What you need is remote-control help provided by professionals on the scene. It can save you a lot of anxiety.

"Your best bet is to get in touch with the area agency on aging where your parent lives," says Susan Polniaszek, long-term-care specialist with the United Seniors Health Cooperative in Washington, D.C.

If you have trouble locating a number, you can contact the National Association of Area Agencies on Aging, 1112 16th St., N.W., Suite 100, Washington D.C. 20036; (202) 296-8130.

"The local agency," Polniaszek says, "can arrange to have a case worker visit your parent's home to make an assessment of what kind of services are needed and who can provide them."

Of course, a lot can be done by phone in an emergency, Polniaszek says, but at some early stage it's a good idea to visit your parent and have a meeting with the local agency on aging. You can work out a care plan with the case worker and the local providers.

You can also get hooked up with a care-management organization that will make periodic visits to check out your parent's current capabilities and needs. You might want to add a homemaker's service, regular visits by a nurse, and transportation arrangements.

Local members of Family Service America, a national organization that deals with a wide range of family problems, can often provide home health services and regular assessment visits by a social worker. Fees depend on the individual's ability to pay.

You can get more information from Family Service America, 11700 W. Lake Park Drive, Milwaukee, Wis. 53224; (414) 359-1040. For $10.95, postpaid, you can get FSA's *Family Guide To Elder Care*. ■

INSURANCE

Homeowner's Insurance That's Inflation-Proof

If your home burned down or was severely damaged by a storm, would your homeowner's policy cover current replacement costs? Or would you have to settle for a much smaller reimbursement based on depreciated values or original values that were not adjusted for inflation?

"In most states," says Las Vegas insurance adjuster Robert Gresham, "if the insured value of your home has dropped below 80 percent of the replacement value at the time a claim is made, you won't be reimbursed for the current replacement cost."

To make sure your homeowner's coverage doesn't slide into this trap, Gresham says, you should be insured for actual replacement cost. That way, you won't have to worry about inflation or depreciation. Your policy will automatically be adjusted to cover replacement cost for structural damage.

As far as the contents of your home are concerned, you can have items replaced on depreciated cost or replacement cost.

PHOTO: GROW COLBROTH—FOLIO, INC.

If a fire destroyed *your home, could you remember everything you had lost? Would your homeowner's insurance cover your replacement costs?*

"You pay a little more for having replacement-cost coverage," Gresham says, "but it's well worth it because there's no haggling, no delays."

If you have items of unique value, such as antiques, works of art, or collectibles, it may pay to have them periodically appraised by a professional. "I always recommend videotaping your valuables," Gresham says, "with a running commentary [from a script] as to their description and current market value." ■

LEGAL AFFAIRS

Legal Advice For Less Than List Price

Have you ever been involved in a confrontation over a warranty or some other consumer complaint that might wind up in court? Maybe you toughed it out on your own, figuring a lawyer would be too costly.

But what if you could call a lawyer at any time for only a few dollars a month? Would you sign up?

A growing number of companies marketing low-cost, easy-access personal legal services hope that you will.

American Express is testing the market with its Legal Services Plan. For around $8 a month, members who sign up can make unlimited phone calls to a lawyer, have the lawyer write letters and make phone calls on their behalf, have leases and real-estate contracts reviewed, have wills drawn up, and pay $59 an hour for court work.

The American Express legal plan is managed by The Signature Group of Schaumburg, Ill., which offers similar services through Chase Manhattan Bank credit cards, other Visa and MasterCard issuers, and the Home Shopping Network. "Parents are even buying the plans to protect their adult children when they get out of college," says Signature spokeswoman Nancie Poulos, "and we have more than 700 law firms around the country to handle the business."

Caldwell Legal USA was one of the first companies to offer legal services nationwide with its Personal Legal Defender Plan. For $8 a month you get standard services, such as unlimited phone calls and letters written on your behalf, plus a will and a revocable trust.

Says Don Caldwell, head of Caldwell Legal USA: "We also offer a small-business plan, Business Protector, that covers the items you get with the personal plan plus all kinds of contracts, disputes, debt collection, and other such commercial situations." The cost is $30 a month.

Some business people may think it's enough to have a lawyer who handles their estate planning or other specialized need and that they don't need continuing access to legal services. But in fact, says Michael Dugan, a spokesperson for Midwest Legal Services in Des Moines, Iowa, "business people need easy access to a lawyer more than anyone else, because they can ill afford the distraction of a lot of minor contingencies."

Melinda Swan, a spokesperson for Hyatt Legal Plans in Cleveland, says, "Regardless of your sophistication, you can still end up in situations where you're sued or want to sue, and you need quick and affordable legal service to keep the aggravation level at a minimum."

For more information on discount legal services and a list of plans with nationwide or regional coverage, write to Adrian Hochstadt, American Prepaid Legal Services Institute, 541 N. Fairbanks Court, Chicago, Ill. 60611-3314.

A Handy Legal Tool: Power Of Attorney

"Everyone over 50 should have a durable power-of-attorney document that works for you in case you become incompetent," says Stephan Leimberg, a professor of taxation and estate planning at American College in Bryn Mawr, Pa. A durable power of attorney gives your chosen representative—spouse, other family member, or friend—the power to legally conduct your affairs if you are unable to do so.

Even if you have set up a revocable trust, which designates a trustee to manage your assets in the event of your incapacity (and bypasses the need for your family to go to court to have you declared incompetent), Leimberg says, it's a good idea to have a complementary durable power of attorney. That document grants more specific authority to file tax returns, pay the bills, hire agents, and make gifts; it is more of a working tool than the revocable trust.

Besides the durable power of attorney, there are powers of attorney that delegate limited powers for a specific time period. "If you're going on an extended business trip," Leimberg explains, "you might want someone to have a power of attorney to take your place in a real-estate closing or execute a securities transaction for you."

Some banks and brokerage firms are suspicious of powers of attorney, however, and may refuse to recognize them. To counteract this, Leimberg suggests, have your designated agent sign the document and have it witnessed.

"Sometimes," Leimberg says, "financial institutions have their own power-of-attorney forms, and you can use one of these along with your own document to keep everybody happy." NB

For Your Tax File

How to keep taxes from overtaxing you.

By Albert B. Ellentuck

LOANS

Loan Guarantees Can Cause Tax Problems

PHOTO: T. MICHAEL KEZA

Parents who co-sign *a loan for a child may have to pay a gift tax as a result.*

In difficult economic times, many parents guarantee loans to their children to help them obtain financing for a business or for personal reasons. Parents know they face a risk if the child defaults, and they also realize they probably won't get the money back from their child.

In addition, a parent who must make payments on the guaranty is not likely to make a good-faith effort to collect from the child, and thus the payment could be considered a gift subject to a gift tax.

Few parents believe that the mere act of signing the guaranty could itself cause problems. Yet in a private ruling, the Internal Revenue Service held that the guaranty itself can be considered a taxable gift. In this case, the co-signer's guaranty allowed his son to obtain a loan with a below-average interest rate. Accordingly, the IRS said the guaranty was a transfer of something of value and therefore was subject to a gift tax.

The ruling did not explain how to value the gift, although one logical way is to calculate the present value of the interest rate differential between the loan actually obtained and the loan that could have been obtained without the guaranty.

This ruling may not be as serious as it sounds, however. As an example, by guaranteeing a car loan, a father helps his daughter get a loan with a 10 percent interest rate rather than the 11 percent rate she could have obtained without his guaranty. For a four-year $15,000 loan, the present value of the interest rate differential of 1 percent would be about $500, well under the $10,000 annual gift exclusion.

But consider a father's guaranty of a mortgage on a home purchase by his son for $270,000, with a 30-year mortgage for $200,000 and an interest rate differential of 2 percent. In this case, the present value of the gift would be about $38,000, well above the $10,000 annual exclusion, or above even the $20,000 exclusion available if the spouse joins in the gift.

Although this private ruling for one taxpayer who requested it has not been reviewed sufficiently to be considered an official IRS position, it does indicate IRS thinking on this issue.

Thus, if there is a substantial loan guaranteed, it may be wise to take some preventive measures. If the amount you calculate as a "gift" exceeds your $10,000 annual exclusion, consider filing a gift-tax return and have your spouse join in that return in order to consent to the gift. In this way, you would have a $20,000 annual exclusion applicable to the "gift."

If the gift runs over the $20,000 annual exclusion, you might want to consider borrowing the money from the bank yourself and lending it to your child directly. As long as the loan is at the standard IRS interest rates, there should be no gift-tax consequences at the time of the loan. However, this may be impractical on the purchase of a home. In addition, the borrower may not be able to deduct the loan's interest payments since the interest would be considered personal.

The ruling is likely to cause considerable adverse comment from taxpayers, and the IRS may well reconsider it.

Tax Lawyer Albert B. Ellentuck is a partner in the Washington law firm of Colton and Boykin. Readers should see tax and legal advisers on specific cases.

TAX RETURNS

To File, Or Not To File

Many people mistakenly assume that if they have no income tax due for a particular year, they don't have to file a return. This is not necessarily so, and failure to file could cause problems.

Consider the example of a husband and wife who file jointly; they made estimated tax payments of $20,000 in 1990 and calculated they owed the Internal Revenue Service $20,000. Though they owed no additional tax, they must file a return because the filing threshold for a married couple filing jointly for 1990 was $9,550.

Here are the income thresholds that required the filing of 1990 returns:

- Single: $5,300.
- Married, filing jointly: $9,550.
- Married, filing jointly, both 65 or over: $10,850.
- Surviving spouse: $7,500.
- Head of household: $6,800.

The threshold amounts are adjusted each year for inflation.

Under certain circumstances, a return may be required even if gross income is below those levels. For example, an individual with net earnings of $400 or more from self-employment in 1990 must file.

Another reason to file when no tax is due is that the statute of limitations will not begin running until a return is filed. With no return filed by you, the IRS at any time could challenge your failure to file; you then would have to prove no tax had been due, and if the IRS decides you did owe taxes, it could hit you with penalties for failure to file. But if you file a return when no tax is due, the IRS generally cannot question your return after six years. Also, you must file a return to obtain any refund.

Even if you don't have to file, save all your records to prove to the IRS that you met all requirements for nonfiling.

Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Meg Whittemore

ENTERTAINMENT

A Show Business

Can you please provide me with information on starting a video-rental operation?
D.V.H., South Bend, Ind.
(Similar questions from C.R.N., Dawson, Ga., and D.S., San Diego, Calif.)

Monty Crandon, vice president of the American Video Association, says a video-rental business can be lucrative if you approach it correctly. "You cannot be a video renter only," he says. "Customers today want ancillary products such as popcorn, film processing, United Parcel Service and fax services, game sales—anything that will increase their convenience factor."

The video-rental business is "very sophisticated and timely," he says, "and your pre-opening market research should

ILLUSTRATIONS: DAVE ALLEN

be thorough." Before opening a store, check out the competition within a three-mile radius of your proposed location, he advises, and plan to start with at least 3,500 tapes. Fewer tapes, he says, would reduce the store's competitiveness. Some video-rental firms have "megastores" with up to 10,000 tape selections.

Crandon also suggests you make certain the store would be easily accessible, have ample parking, and be clean and attractive.

Crandon estimates the start-up costs at $40,000 to $55,000, which includes tapes, cases, and a computer system. Rental and other site costs and store staffing are additional.

You can contact Crandon at the American Video Association, 2885 N. Nevada, Suite 140, Chandler, Ariz. 85225; (602) 892-8553, extension 227.

RANCHING

In Cold Blood

My friend and I are interested in raising snakes if there are markets for them.
D.G., Seymour, Texas

Lynn Rosenberg of the Northern Ohio Association of Herpetologists can answer your questions about raising and possibly marketing snakes.

The association is an information clearinghouse on herpetology, which is a branch of zoology dealing with reptiles and amphibians.

You can contact Rosenberg at (216) 354-1505.

RETAILING

Clothes Line

I am interested in opening a store that would sell clothing for short women. Where can I find suppliers and manufacturers?
C.D.H., Fredericksburg, Va.

The American Apparel Manufacturers Association publishes a membership directory of more than 1,000 apparel suppliers and manufacturers.

The listings are divided into men's, women's, and children's clothing and are subdivided by types of clothing—such as formal wear, leisure clothing, suits, lingerie—and by size categories—such as misses, petites, tall, and queen-sized.

The directory also lists members by label names.

Contact names, addresses, telephone numbers, and facsimile numbers are provided for each supplier and manufacturer. The directory costs $100, including postage and handling, payable by check or major credit card.

To order, write or call the American Apparel Manufacturers Association at 2500 Wilson Blvd., Suite 301, Arlington, Va. 22201; (703) 524-1864.

INTERNATIONAL TRADE

German Connections

Where can I obtain information on businesses operating in Germany? I need a listing of the companies by industry.
C.W., Fairlawn, N.J.

The German American Chamber of Commerce, in New York City, offers two publications that might be helpful.

The Membership Directory lists the German American Chamber's several hundred members alphabetically with addresses. The directory costs $50, including postage.

The American Subsidiaries of German Firms lists more than 2,000 German-based companies with branches in the U.S. Each company is indexed by industry, and the references include a description of the firm's products or services and contact names and addresses. The German American Chamber charges $100 for this directory, including postage and handling.

Both publications may be ordered by sending a check or money order to the German American Chamber of Commerce at 666 Fifth Ave., New York, N.Y. 10103; (212) 974-8830.

RECYCLING

On The Road Again

I need information on starting a business recycling automobile tires.
L.W., Reno, Nev.

The Rubber Manufacturers Association says tire recycling is not yet a popular business. Used tires are rarely recycled into new car tires. Scrap rubber, however, is ground up for use as an additive in asphalt for surfaces such as highways and running tracks.

The *Directory of Scrap Tire Processors by State* is free from the Rubber Manufacturers Association, 1400 K Street, N.W., Suite 900, Washington, D.C. 20005; (202) 682-4800.

RECREATION

Ice Links

I am thinking of building a facility for ice skating and ice hockey. I need help with the basics of such an enterprise.
T.L., Berrien Springs, Mich.

The Ice Skating Institute of America, a network of ice-skating-rink builders, suppliers, owners, and managers, offers a free information packet. It includes a copy of the institute's magazine, a newsletter, and a list of association members. Contact Joe Modrich, administrative services manager at the Ice Skating Institute of America, 355 W. Dundee Road, Buffalo Grove, Ill. 60089-3500; (708) 808-7528.

CHILD CARE

Nanny Network

I am interested in starting my own nanny-services firm. What sources and organizations do you recommend for more information?
C.A.B., Fairhope, Ala.

"Well-trained nannies are in short supply, and there is a high turnover rate within the industry," says Barbara Lucas, a nanny instructor and a director of the International Nanny Association.

Before you start your firm, you should conduct thorough market research in your area, and make certain that you place only trained nannies, Lucas says. "Otherwise, you end up with angry families and disenchanted nannies."

For help with the basics of starting a nanny service, ask for the association's free membership-information kit, which contains a directory of members.

Lucas recommends that you contact several of the members who have been in the nanny-services business for at least five years and ask them about their start-up experiences.

You can write to the International Nanny Association at P.O. Box 26522, Austin, Texas 78755-0522.

HOW TO ASK

Have a business-related question? Send your typewritten query to Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062.

Writers will be identified only by initials and city. Questions may be edited for space.

The editors of Direct Line have developed *The Small Business Resource Guide*, which contains answers to the questions we are asked most frequently. The booklet is now available for $5.95 a copy (plus $1 for handling).

To order, send a check or money order to the Circulation Department of *Nation's Business* at the address above. NB

To Your Health

Managing well includes managing your own health; here is advice to help you do that better.

By Howard Rothman

The Latest Thing In Exercise: Fitness Through Moderation

For over two decades, serious exercise enthusiasts have adhered to the "no pain, no gain" philosophy of fitness. Throwing themselves into one form or another of aerobic activity, they have pushed their bodies to the limit for as long as they could stand it—or at least for 30 minutes, three times a week. They have stretched out, pumped up, logged laps, danced diligently, and otherwise worked themselves into the kind of high-energy frenzy that they believed was necessary to reach their fitness goals.

But many experts now think that this focus on intense exercise may be misguided, and actually responsible for turning scores of sedentary types away from more moderate exercise regimens that could vastly improve their health.

The idea that fitness can be achieved only by exercising to the point of exhaustion can be traced to Dr. Kenneth Cooper's groundbreaking 1968 book, *Aerobics*. Cooper theorized that the heart must be worked hard in order to work well. He proposed regular exercise that kept the heart beating at a rate of at least 60 percent of specific maximums tied to age. He suggested that anything less was a waste of time.

Millions of Americans heeded Cooper's call, boosting health-club memberships and exercise-equipment sales to record levels.

But countless others recognized the futility of trying to maintain an all-out pace over the long term. And many of them responded by simply shrugging their shoulders and turning back to their couch-potato ways.

"If you have someone who is not exercising at all and say to them that they have to go out three times a week and exercise at . . . 60 percent capacity, they can't relate," explains Dr. Kenneth Powell of the division of injury control at the Centers for Disease Control in Atlanta. "If, instead, you say that they can work in the garden or take a walk, the message is more likely to be received and acted upon."

Fortunately, Powell adds, recent studies indicate that moderate physical activities, spread throughout the day in a series of mini-workouts, may be just as beneficial to health as lengthy single exercise periods filled with hard-core aerobics.

One such study, conducted at the Stanford University School of Medicine by Dr. William Haskell, an exercise physiologist, examined 40 engineers with relatively sedentary lifestyles. They were divided into two equal groups. Half were told to walk briskly or jog at a moderate pace for 30 minutes, five times a week; the others were told to do the same kind of exercise, but for only 10 minutes at a time, three times a day, five days a week.

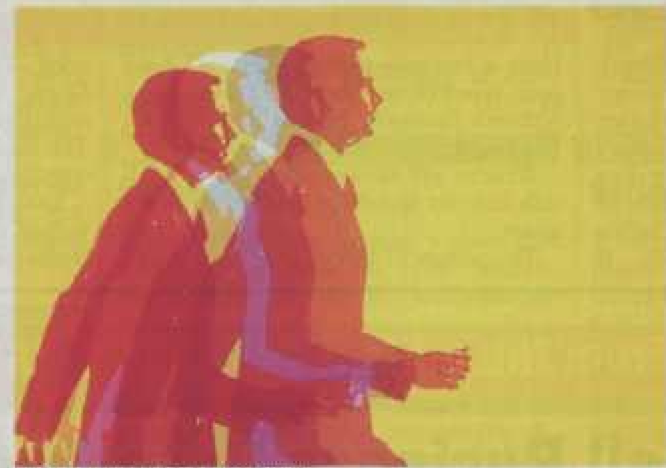

PHOTO: [illegible] BARRY O'ROURKE—THE STOCK MARKET

Moderate physical activities, spread throughout the day, may be just as beneficial as lengthy single exercise periods.

After eight weeks, Haskell says, all participants attained essentially the same level of fitness. "Changes in aerobic capacity and cardiovascular efficiency at the end of the study were very similar between the two groups, as were weight loss and blood pressure levels," Haskell says. "Our research and that of others suggests that you can adopt a lower level of intensity if you prefer, and still improve yourself physically."

Similar advice comes from Dr. Dean Ornish, a cardiologist and president of the Preventive Medicine Research Institute, in Sausalito, Calif. Ornish first came to public attention in 1982, when he made a case for health improvement through modified diet and reduced stress.

In his 1990 book, *Dr. Dean Ornish's Program for Reversing Heart Disease*, he added moderate exercise to that prescription—walking for one hour three times a week, or for a half-hour each day—and announced that this three-pronged program had, for the first time, led to significant reductions in the coronary-artery blockages of heart-disease patients without the use of drugs or surgery.

"To be healthy," Ornish says, "to keep from having a heart attack and to live longer, just walking a half-hour a day seems to be enough [exercise]."

Experts also contend that many everyday activities once thought too mild to be useful—such as mowing the lawn and repainting the garage—actually do provide measurable health benefits. A 1987 study at the University of Minnesota by Dr. Arthur Leon found that expending an average of 285 calories a day in activities such as gardening and golf offered as much heart-disease protection as burning twice that many calories in aerobic sports.

Irv Rubenstein, an exercise physiologist and president of the S.T.E.P.S. Inc. health and fitness facility in Nashville, Tenn., agrees that activities like golf and gardening lead to significant improvement in people who otherwise get no exercise. He cautions, though, that benefits are short-lived if such activities are limited to brief warm-weather seasons. He also emphasizes that people who want more out of their fitness programs—those who are training for competitive or endurance events, for example, or who want to achieve a first-rate physique—will have to put more into them, too.

So, despite all the new thinking about exercise, another long-held belief of fitness buffs apparently remains valid. As Stanford's Haskell says, "You can't get something for nothing." NB

Howard Rothman is a Denver-based writer who specializes in health and business topics.

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Franchising

PHOTO: © RICK FRIEDMAN—BLACK STAR

Auto-care franchisees *Mike and Karen Klaubert seized an opportunity.*

From oil changes to replacement engines, almost everything to keep a car running is offered by franchises.

By Meg Whittemore

Bumper-To-Bumper Auto Care

Rather than take on new-car payments, many budget-conscious Americans are spending their automobile dollars on service and repairs to keep their old cars running. And many franchised companies are helping those motorists maintain their aging vehicles—without emptying their wallets.

Franchises now offer almost all aspects of car repair and service, including quick oil changes, tuneups, body repairs, tire replacement, repainting, rustproofing, washing and detailing, and repair or replacement of windshields, other glass, exhaust systems, and even complete engines.

All told, the franchised auto-aftermarket industry—in franchising, that means parts, repairs, and maintenance for cars, pickups, and vans not serviced by dealers—rang up $13.8 billion in sales in 1990. Sales this year are expected to exceed $15.4 billion, according to the *Franchise Opportunities Guide*, published by the International Franchise Association, in Washington, D.C.

Mike and Karen Klaubert, a husband-and-wife-team operating SpeeDee Oil Change & Tune-Up franchises, are representative of the growing number of entrepreneurs who saw a niche and filled it.

In their native New Hampshire in the mid-1980s, "there were few places out there for people to get quick, convenient maintenance work done on their cars," says Mike Klaubert. "We saw the opportunity, and we jumped on it."

The Klauberts opened their first SpeeDee franchise in 1987 in Concord and their second a year later in Laconia, about 30 miles away. They broke even during their first year of operation. Combined gross sales for both locations increased 32 percent from 1988 to 1990.

SpeeDee, headquartered in Metairie, La., carries a start-up cost of $68,000 to

$327,000, depending on whether the equipment is leased or purchased. The amount does not reflect real-estate costs.

Mike's 11 years of experience as an automotive technician and service manager for a car dealership helped the two franchises succeed. "There are a lot of things [in car servicing] that go on that aren't related to an oil change or a tuneup," says Klaubert. "With my background, I can at least tell the customer what the problem is and where to go for help. It adds to our stores' credibility tremendously."

Mike Klaubert handles business operations, and Karen oversees the office and financial record keeping. Says Mike: "I think it is the perfect setup for this business. There is no way either one of us could run the shops alone. It really does take two people."

A typical oil change costs $23.95. Tuneups range from $49.95 for a 4-cylinder vehicle to $69.95 for an 8-cylinder car or truck.

The characteristics that make SpeeDee attractive to customers—the convenience of drive-in scheduling, reasonable prices, and customer service—are common throughout the auto-aftermarket segment of franchising.

"Service is becoming the business operating buzzword of the 1990s," says Nevil Hermer, president of Speedy Auto Glass, a franchise that specializes in automobile windshield and glass repairs and replacement.

Established in 1946 and based in Mercer Island, Wash., Speedy Auto Glass has 20 U.S. franchises, and last year their total sales reached $18 million. The company's expansion plans include the conversion of independent glass-replacement businesses into Speedy Auto Glass franchises. "We provide independent glass shops with national buying power, market economies of scale, and training," says Hermer.

A new-site franchise costs $134,000 to $293,000, depending on location. Conversion franchises cost $16,000 to $35,000, depending on the extent of site alterations.

For drivers whose cars have collision damage or are worn from age, MAACO Auto Painting and Bodyworks stands ready to repair and repaint. Founded in 1972 and headquartered in King of Prussia, Pa., MAACO has 420 franchises throughout the United States. Gross sales in 1990 were $270 million. MAACO repairs or repaints more than 500,000 cars annually. An average repair bill is $500; paint jobs range from $120 to $700.

If you need a new car engine, you could turn to Motorworks Remanufactured Engine Installation Centers, a Philadelphia-based franchise. Motorworks is the brainchild of Joseph Robinson, who has worked on engines as a hobby and a career as well as during his service in the U.S. Navy. "I saw the demand for both remanufactured engines and their attendant installation services growing incredibly," he says, "and I knew that it was not being met in an organized or systematic way by anyone else."

Motorworks installs nationally warranted remanufactured engines in cars, light trucks, recreational vehicles, fleet vehicles, and boats—usually at a cost about one-tenth the price of a new vehicle or boat.

An engine replacement and installation job costs an average of $2,000.

A remanufactured engine is different from a rebuilt engine. In a rebuilt engine, typically only the worn-out parts are replaced. Remanufacturing involves several machining and testing operations that restore the engine to factory specifications.

Each remanufactured engine carries a 12-month/12,000-mile factory warranty, which is honored at Motorworks repair centers nationwide.

The engines are supplied to the Motorworks franchises through Motorworks-licensed remanufacturers, which buy used engines from automotive recyclers.

There are 30 Motorworks franchises in 13 states. Start-up generally costs about $50,000.

Franchises specializing in helping American car owners maintain cost-effective personal transportation should continue to thrive even during times of economic recession, mainly because they offer high quality, reasonable prices, and attentive service. NB

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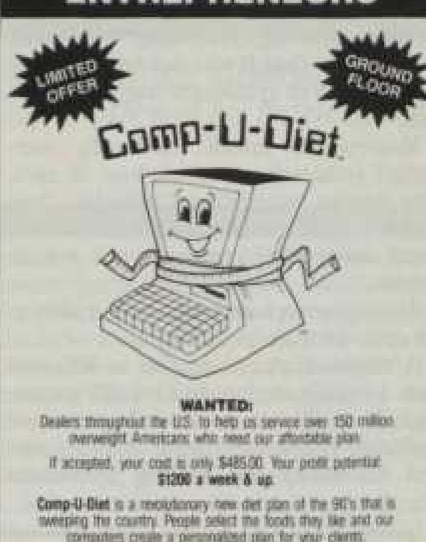

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California Man Reveals Little Known Secret That Nets Him Six-Figure Income

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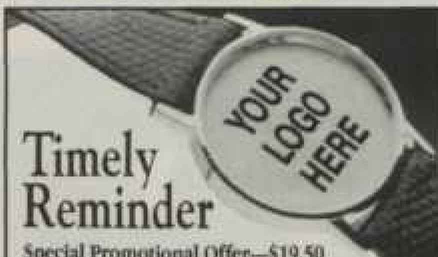

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1. Too little emphasis on real-world experiences
2. Poor-quality teachers
3. Students did not work hard in school
4. Not enough public funds for education

4. The president's proposal to establish 535 special "magnet" schools would:

1. Be a good step toward creating a new generation of schools
2. Be a waste of money and should be rejected
3. Create isolated model schools but not change most schools

5. National standards on what students should know would:

1. Provide helpful guidance for students and teachers
2. Lead to the establishment of a rigid national curriculum
3. Be meaningless without ways to measure whether the standards were being met

6. National testing of students would:

1. Help pinpoint regional education problems
2. Be racially discriminatory
3. Help measure education progress
4. Provide little guidance to educators

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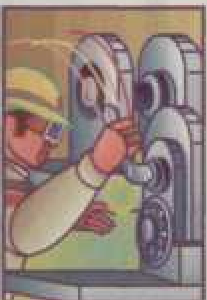


ILLUSTRATIONS: RICHARD GAGE

A new move is under way in Congress to strengthen workplace health and safety laws.

Legislation introduced in the House and the Senate would increase penalties for violations of the Occupational Safety and Health Act and place several new requirements on employers.

The new bills—H.R. 3160 in the House and S. 1622 in the Senate—would:

- Increase penalties and fines for violations to a maximum of $50,000 a day.
- Mandate active union or employee participation in important aspects of the review process of the Occupational Safety and Health Administration (OSHA).
- Require employers to establish new employee training and education programs.
- Force employers of 11 or more workers to establish safety and health committees with equal employee and employer representation.

Last year, Congress raised the maximum fines for safety and health violations sevenfold and established a $5,000 minimum fine for "willful" violations.

The U.S. Chamber of Commerce believes that the newly proposed changes would make compliance more difficult to achieve and employers less willing to be candid with OSHA officials. By intensifying the adversarial nature of OSHA's oversight activities, the new legislation would ultimately have a negative impact on employers and employees, the Chamber says.

H.R. 3160, introduced by Reps. Joseph M. Gaydos, D-Pa., and William D. Ford, D-Mich., and S. 1622, introduced by Sens. Howard M. Metzenbaum, D-Ohio, and Edward M. Kennedy, D-Mass., would only undermine the efforts of employers and OSHA to work more cooperatively.

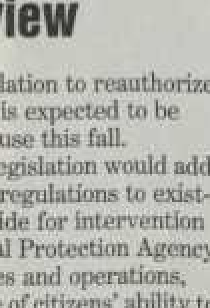
Urge your representative and senators to oppose H.R. 3160 and S. 1622, respectively.

Clean Water Act Up For Review

Comprehensive legislation to reauthorize the Clean Water Act is expected to be introduced in the House this fall.

Proposed Senate legislation would add pollution-prevention regulations to existing regulations, provide for intervention by the Environmental Protection Agency in industrial processes and operations, and expand the scope of citizens' ability to sue companies.

The House and the Senate already have held hearings on a wide variety of water-related topics, including pollution prevention, ground-water protection, the impact of hydropower generation on water quality, water conservation, pollution from nonmajor sources, clean-water monitoring, municipal water-pollution control, and pretreatment standards.



When it was enacted in 1972, the main goal of the Clean Water Act was to ensure fishable, swimmable rivers by eliminating discharges of pollutants into the nation's waterways. To achieve this goal, Congress required treatment of municipal sewage and all industrial waste water prior to discharge.

Scientific evidence shows clearly that the Clean Water Act is achieving its stated goal at a reasonable rate. However, as methods of detecting pollutants improve, the perception that water quality is deteriorating will likely grow.

The U.S. Chamber of Commerce believes that industry can determine suitable changes in its processes and operations to meet mandated standards without EPA intrusion into the workplace. It believes the act does not need to be amended or rewritten.

According to the Chamber, the Clean Water Act is a legislative success story.

Urge your representatives and senators to reauthorize the law as it is. Urge them not to risk trying to fix something that isn't broken.

The Threat To Telemarketing

Companies that market products and services by telephone would face significant restrictions under legislation pending in the House.

The legislation would require telemarketing companies to purchase and check a database containing names of individuals who have indicated they do not wish to receive telemarketing calls. Charities, nonprofit organizations, and politicians would be exempt.

According to the U.S. Chamber of Commerce, numerous problems exist with this legislation. Any such list, for example, would be outdated upon its creation, and small businesses would find the purchasing and checking of the database prohibitively expensive.

Companies might well be forbidden to call long-standing customers on the one hand, or, on the other hand, they could be forbidden to make telemarketing calls to listed individuals unless the company had a business relationship with the individual before the legislation's enactment. In that circumstance, the Chamber says, the legislation would unfairly restrict access to markets.

According to the Chamber, telemarketing is a legitimate way of conducting business. It is also profitable and efficient for business and a convenient way for consumers to purchase products and services.

H.R. 1304, which was introduced by Rep. Edward J. Markey, D-Mass., and has 59 co-sponsors, would place unreasonable restrictions on companies that solicit business by telephone, according to the Chamber.

Tell your representative that it is by no means clear that there is any telemarketing problem that warrants expensive and problem-causing federal legislation. Urge opposition to H.R. 1304 as an unnecessary, unworkable, and unreasonable intrusion into the marketplace. NB

Editorial

Congress Should Move Quickly On Issues Critical To Competitiveness

As it enters the final phase of its 1991 session, Congress faces several matters of unfinished business vital to the future of U.S. companies and their competitiveness.

Among the measures awaiting major action are plans that will determine how the U.S. will:

- Meet its future transportation needs,
- Move toward less dependence on foreign energy sources,
- Restructure its banking system and laws, and
- Maintain its competitiveness in the global marketplace.

The ease and efficiency with which a nation is able to transport goods and services from one point to another have much to do with its competitiveness.

Clearly, our nation's roads and bridges are in disrepair to the point that our future transport capabilities are at stake. We need to begin a major program of refurbishing our highway system immediately. The sooner Congress passes legislation acceptable to the president, the sooner the work can begin.

The bill has been delayed in the House because of controversy over a proposed 5-cents-per-gallon gasoline-tax hike. The House should resolve this sticking point.

Approximately $19.3 billion has accumulated in a federal trust fund for highway work. The government should release those funds, collected from federal gas taxes, so that they can be used for the rebuilding effort.

On energy, Congress has an opportunity, resulting from the recent Persian Gulf War, to get our nation back on track with a long-range energy strategy focusing on resource development, technology improvements, and conservation. The threat to energy supplies posed by the Iraqi invasion of Kuwait, a major oil producer, generated strong support in this country for policies to increase our energy self-reliance.

The Senate should approve its bill, and House panels should work diligently to complete their work before the Persian Gulf momentum fades.

Among the issues in the banking debate are interstate branching by banks and whether banks should be allowed to sell insurance and securities.

Such issues have pitted small banks against large banks, insurance companies against banks, and banks against securities firms.

If the broader issues are too difficult to resolve, Congress should focus more narrowly on deposit-insurance reform, where a consensus can likely be reached.

A reasonable and much-needed approach to deposit-insurance reform would be to establish a mechanism to provide for private-market pricing of insurance so that well-run and poorly run banks would pay different insurance premiums. Under the current system, they pay the same federally set premiums. Thus, the system fails to discourage poor management.

While highway, energy, and banking legislation all represent opportunities for Congress to improve U.S. competitiveness, it is equally important that lawmakers reject legislation that would harm the economy and competitiveness.

PHOTO: © JOHNSON-GAMMA LIAISON

The congressional agenda *is discussed by, from left, Minority Leader Robert H. Michel and Speaker Thomas Foley of the House and Senate Majority and Minority Leaders George J. Mitchell and Bob Dole.*

Among those measures are several bills backed by organized labor, including a civil-rights bill related to job discrimination, a bill to prohibit replacement of striking workers, and legislation to mandate that employers provide a specific amount of family and medical leave to employees.

The House passed a civil-rights bill that business opposed largely because of provisions it says would lead to hiring based on quotas. The Senate is expected to take up a somewhat different version of the legislation soon.

The mandated-leave legislation was approved by House and Senate committees in the spring. Either chamber could take up its leave bill at any time.

The bill to ban striker replacements was passed by the House and awaits a vote by the Senate.

The civil-rights, leave, and striker bills would all restrain business at a time when business and the economy need a boost.

One area of legislation that is in much earlier stages but which deserves and is likely to receive Congress' attention is health care—another area that significantly affects the cost of doing business.

The most sensible approach—and the one that offers the most promise for success in this Congress—is for Congress to begin with incremental reforms to make health care more affordable. Reforming the small-business insurance market so that more small businesses could provide insurance to their employees would be a good place to start.

All of this unfinished business could have profound, long-term effects on the cost of producing, selling, and distributing products and services in this country. Congress and its leaders should keep the economy and competitiveness in mind this fall as they decide when to act on legislation and which avenues to pursue. NB

Free-Spirited Enterprise

By Janet L. Willen

GLASS WORKS

A bottle of cheer at holiday time or for other special occasions can also be a bottle of art, says **Bergin & Thomas, Ltd.,** of Napa, Calif.

The company specializes in hand cutting corporate names and logos onto wine bottles and other glass items, which companies present as gifts to clients or employees.

Different kinds of wine are available, but the quality isn't important, says the company's president, Kim Thomas. Recipients, he says, seldom open the bottles.

ILLUSTRATIONS: MARY THELEN

WHAT'S IN A WORD?

Business language has nuances that you have to know to survive, says David Olive, a member of the editorial board of the Toronto *Globe and Mail*. In his book, *Business Babble: A Cynic's Dictionary of Corporate Jargon* (John Wiley & Sons), Olive defines more than 500 business terms, and he illustrates many of them with quotes from executives, writers, and renowned personalities, like Peter Drucker, Plato, and Miss Piggy.

Olive defines "grazing" as "indiscriminate accumulation of acquisitions" and adds this piece of advice from Miss Piggy: "Never eat more than you can lift."

AN IDEA WORTH SHARING

User-friendly means something special to Arthur Tendler, president of **The $5 Computer Software Store,** in Newport Beach, Calif.

Tendler sells computer programs for $5 each at grocery stores, car washes, and airports. The programs include business and financial topics, instructional programs in foreign languages and computers, and games such as cunning football for children and power chess for adults.

The price is low because each disk contains a "shareware" program—the kind that can be used and copied at low cost without breaking copyright laws. Buyers who like the software are asked to send a nominal registration fee, typically about $15, to its author, whose name and address appear in the program.

UNDER THE TABLE

A computer table recently introduced by **Howe Furniture Corp.,** of Trumbull, Conn., can remove the spaghettilike tangle of wires on your computer-room floor.

The Diffrient Training Table, designed by Niels Diffrient, conceals most of the computer's wires in a corrugated, perforated, folding modesty panel. Cables can be plugged into a power center placed in the wire trough of the table or into outlets in the floor via hidden paths in the table.

Howe Furniture says the table allows flexibility in computer rooms because the wires travel with the table.

BAKING TIMER

In time for winter vacations, **Saitek Industries,** of Torrance, Calif., is offering the Sunwatch.

The watch uses a computer to let you know when it is time to get out of the sun or risk burning. You tell it your skin type and the protection factor of your sun lotion. Then it will sound an alarm to let you know when it's time for you to seek shade.

An LCD display shows how strong the sun is, how much sun you have had, and how much more you can safely take.

For those with more basic needs, the Sunwatch can also tell you the time.

DESIGNING YOUTH

Another new watch is one made with art lovers in mind.

Called the ArtWatch, its face has details of paintings by Monet, Picasso, Degas, Toulouse-Lautrec, or one of approximately 16 other famous artists. A description of the artist and painting comes with each watch.

The ArtWatch is the creation of Geoffrey Walsh, the 24-year-old president of **The Walsh Organization,** in Larchmont, N.Y. He wrote the ArtWatch business plan as his undergraduate thesis in 1989.